GSW

الخليج للأعمال الحديدية

Gulf Steel Works Factory Company Prospectus

Six million (6,000,000) ordinary shares representing (30%) of the total share capital of the Company are offered in the parallel market for the Qualified Investors at SAR (•) per share.

The Offer Period will commence on 09/03/1439H (corresponding to 27/11/2017G) and end on 30/03/1439H (corresponding to 18/12/2017G)

Gulf Steel Works Factory Company (herein referred to as the "Company" or "GSW") is a Saudi joint stock company incorporated under Commercial Registration No. 2055003300 issued in Jubail on 08/05/1414H (corresponding to 24/10/1993G). The share capital of the Company is two hundred million Saudi riyals (SAR 200,000,000) divided into twenty million (20,000,000) fully paid shares with a nominal value of ten Saudi riyals (SAR 10) per share.

On 17/01/1429H (corresponding to 26/01/2008G), Pan Gulf Holding Company ,which owns a branch named Gulf Steel Works Factory registered under Commercial Registration No. 2055003300 issued in Jubail on 08/05/1414 H (corresponding to 24/10/1993), and Pan Gulf Industrial Investment established Gulf Steel Works Company as a liability limited liability company in Khobar under the Commercial Registration No. 2051037320 dated 16/05/1429H (corresponding to 21/05/2008). Gulf Steel Works Factory remained as a subsidiary of Gulf Steel Works Company in Jubail. The Company's capital was set at twenty-eight million Saudi riyals (SAR 28,000,000) divided into fully paid two million and eight hundred thousand (2,800,000) ordinary shares with a nominal value of SAR (10) per share. After valuing the assets and equity of the subsidiary at twenty-eight million Saudi riyals (SAR 28,000,000), the new partner - Pan Gulf Industrial Investment Company Limited paid the value of his shares in the capital. On 05/11/1435H (corresponding to 31/08/2014G), the capital of the Company was increased from twenty-eight million Saudi riyals (SAR 28,000,000) to fifty million Saudi riyals (SAR 50,000,000) divided into five million (5,000,000) shares with a nominal value of ten Saudi riyals (SAR 10) per share by capitalizing an amount of twenty-two million Saudi riyals (SAR 22,000,000) by Gulf Steel Works Company's partners under the certificate issued by Gulf Steel Works Company's legal accountant. On 11/02/1436H (corresponding to 03/12/2014G), Pan Gulf Holding Company transferred all of its three million (3,000,000) shares, of which two million nine hundred and fifty thousand (2,950,000) shares were transferred to Pan Gulf Industrial Investment Company and fifty thousand (50,000) shares were transferred to Pan Gulf Steel as a new partner in Gulf Steel Works Company. On 16/03/1438H (corresponding to 15/12/2016G), with the desire of the partners to support and enhance the factory's activity and increase its operation, Gulf Steel Works Factory (the "Branch") was converted to a company retaining its number and date of its Commercial Registration to become Gulf Steel Works Factory Company (the "Company") while Gulf Steel Works Company became a branch of the Company. On 25/05/1438H (corresponding to 22/02/2017G), the Company's share capital was increased from fifty million Saudi riyals (SAR 50,000,000) to two hundred million Saudi riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share, through capitalizing one hundred and fifty million Saudi riyals (SAR 150,000,000) from the retained earnings account of the Company. Pursuant to the partners' resolution dated 24/06/1438H (corresponding to 23/03/2017G), the Company was converted from a limited liability company into a closed joint stock company with the same capital of two hundred million Saudi riyals (SAR 200,000,000). The Company was converted into a closed joint stock company pursuant to the resolution of the Ministry of Commerce and Investment No. 227/S issued on 07/07/1438H (corresponding to 04/05/2017G).

This Offering represents an offering of six million (6,000,000) ordinary shares is offered in the parallel market with an offer price of SAR (•) per share ("Offer Price") inclusive of a nominal value of ten Saudi riyals (SAR 10) per share which has been fully paid up. The Offer Shares represent 30% of the issued share capital of the Company. The Company has one substantial shareholder, Pan Gulf Industrial Investment Company, which owns 99% of the Company›s shares prior to the Offering.

The Offering shall be limited to Qualified Investors: 1. Authorized persons acting for their own account; 2. Clients of an Authorized Person authorized to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client; 3. the Government of the Kingdom, any government body, any supranational authority recognized by the CMA or the Exchange, and any other stock exchange recognized by the CMA or the Securities Depository Center; 4. Government-owned companies, whether investing directly or through a portfolio managed by a person authorized to carry out managing activities; 5. Companies and funds established in a member state of the GCC; 6. Investment funds; 7. Qualified foreign investors; 8. Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre; 9. Any other natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre and fulfill any of the following criteria: a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months; b. the average size of his securities portfolio shall exceed 10 million Saudi riyals during the last twelve months, or c. holds the General Securities Qualification Certificate which is recognised by the CMA; and 10. Any other persons prescribed by the CMA.

The Qualified Investors will be able to subscribe to and purchase the Offer Shares during the period from 09/03/1439H (corresponding to 27/11/2017G) to the end of the trading day on 30/03/1439H (corresponding to 18/12/2017G) (the "Offer Period").

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the admission and listing of the Shares in the parallel market. All the supporting documents requested by CMA have been submitted, all requirements have been met and all approvals related to this Prospectus have been obtained. All official approvals relating to the Offering of the shares in the parallel market have been obtained. All categories of the Qualified Investors listed above will be allowed to subscribe to the Company's shares.

The Financial Advisor and Lead Manager

السعودي الفرنسي كابيتال

Saudi Fransi Capital

This Prospectus includes information given in compliance with the Parallel Market Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA"). The Directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts whose omission would make any statement herein misleading. The CMA and the Saudi Stock Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred by relying upon, any part of this Prospectus. Persons who wish to purchase the Offer Share under this Prospectus should ensure the validity of the information regarding the shares in question. If the contents of the Prospectus cannot be understood, consult an authorized financial advisor.

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Important Notice

This Prospectus provides full details of information relating to the Company and the Offer Shares. When applying for the Offer Shares, investors will be treated on the basis of the information contained in this Prospectus, copies of which may be obtained from the Company' Head Office, or by visiting the websites of the Company (www.gulfsteelworks.com) or the Financial Advisor (www.sfc.sa), CMA (www.cma.org.sa), or Saudi Stock Exchange (Tadawul) (www.tadawul.com.sa).

The Company has appointed Saudi Fransi Capital as a financial advisor (the "Financial Advisor") and lead manager (the "Lead Manager") in relation to Shares of the Company ("Offering") offered in the parallel market.

Whilst the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the market and industry information herein regarding the market and industry are derived from external sources. While the Company, the Financial Advisor, Lead Manager or any of the Company's advisors, whose names appear on Pages (iv) and (v) of this Prospectus, has no reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (for more information, see Section (2) "Risk Factors"). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, or any advisors of the Company to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a financial advisor licensed by CMA in relation to the Offering, and for considering the appropriateness of the investment chance and information herein with regard to the recipient's individual objectives, financial situations and needs.

Forecasts and Forward-looking Statements

Forecasts and estimates set forth in this Prospectus have been prepared on the basis of certain stated assumptions in compliance with best practice in the industry. Future operating conditions may differ from the assumptions used, and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "must", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. There are many factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for more information, see Section 2 "Risk Factors"). Should any one or more of the risks materialize, or any underlying assumptions or estimates prove to be inaccurate or incorrect, actual results of the Company may vary materially from those described in this Prospectus.

Subject to the requirements of the Parallel Market Listing Rules, the Company must submit to CMA a supplementary Prospectus if at any time after the Prospectus has been published and before the admission of the Shares to listing, the Company becomes aware that: (i) There has been a significant change in material matters contained in the Prospectus or any document required by the Parallel Market Listing Rules; or (ii) additional significant matters have become known which would have been required to be included in the Prospectus. With the exception of these two events, the Company does not intend to update or change any information relating to the industry, market or the forward-looking-statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, potential Qualified Investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

The Board of Directors of the Company

Name	Title	Capacity	Nationality	Age	Direct ownership (%)		Indirect holding (%)	
					Pre-offering	Post-offering	Pre-offering	Post-offering
Khalid Abdulaziz AlHamdan	Chairman	Non-executive, non-independent	Saudi	61 years	N/A	N/A	39.2%	27.4%
Salah Attiah AlOtaibi	Vice Chairman of the Board	Non-executive, non-independent	Saudi	52 years	N/A	N/A	N/A	N/A
Faisal Abdulfattah Mohammed	Director	Non-executive, non-independent	Palestinian	36 years	N/A	N/A	N/A	N/A
Mohammed Fahad bin Saja	Director	Non-executive, non-independent	Saudi	34 years	N/A	N/A	0.297%	0.21%
Hamdan Abdulaziz Al Hamdan	Director	Non-executive, non-independent	Saudi	66 years	N/A	N/A	N/A	N/A
Hamad Abdullah AlOlayan	Director	Non-executive, independent	Saudi	55 years	N/A	N/A	N/A	N/A

Source: The Company

The Company's Address

Gulf Steel Works Factory Company
P.O Box 10143, Jubail 31961
Kingdom of Saudi Arabia
Tel: +966 (13) 341 9594
Fax: +966 (13) 341 0327
Website: www.gulfsteelworks.com
Email: info@gulfsteelworks.com

First authorized Company representative & Board of Directors' Secretary
Mohammed Fahad bin Saja
Director
P.O Box 2473 Al-Khobar 31952
Kingdom of Saudi Arabia
Tel: +966 (13) 867 0444
Extension: 222
Fax: +966 (13) 867 0444
Email: sajamf@pghco.com

Second authorized Company representative
Ahmed Abdul Rahim Abu Naama
CFO
P.O Box 10143, Jubail 31961
Kingdom of Saudi Arabia
Tel: +966 (13) 341 9594
Extension: 230
Fax: +966 (13) 341 0327
Email: ahmad.abunemeh@gulfsteelworks.com

Stock Exchange

The Saudi Stock Exchange Company (Tadawul)
700 King Fahad Road, Tawuniya Towers
P.O Box 60612, Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 (11) 218 9999
Fax: +966 (11) 218 9133
Website: www.tadawul.com.sa
Email: info@tadawul.com.sa

Advisors

The Financial Advisor and Lead Manager

Saudi Fransi Capital
King Fahad Road
P.O. Box 23454, Riyadh 11426
Kingdom of Saudi Arabia
Tel: +966 (11) 282 6666
Fax: +966 (11) 282 6823
Website: www.sfc.sa
Email: info@fransicapital.com.sa

Legal Advisor

Abdulaziz AlAjlan and Partners in association with Baker and McKenzie Limited
AlAasa Street
P.O. Box 69103, Riyadh 11547
Kingdom of Saudi Arabia
Tel: +966 (11) 265 8900
Fax: +966 (11) 265 8999
Website: www.bakermckenzie.com
Email: legaladvisors@bakermckenzie.com

Financial Due Diligence Advisor

KPMG Al Fouzan and Partners Co.
Subaie Towers, King Abdul-Aziz Road
P.O. Box 4803 , Al-Khobar 31952, Kingdom of Saudi Arabia
Tel: +966 13 8877241
Fax: +966 13 8877254
Website: www.kpmg.com.sa
Email: marketingsa@kpmg.com

Auditors

Al Bassam and Al Nemer Allied Accountants
Salahudeen Al Ayoubi Road, Al-Nadwah District
P.O. Box 69658, Riyadh 11437
Kingdom of Saudi Arabia
Tel: +966 (11) 206 5333
Fax: +966 (11) 205 5333
Website: www.sa-pkf.com
Email: info.sa@pkf.com

Deloitte and Touche Bakr Abulkair and Co.
P.O. Box 182, Dammam 31411
Kingdom of Saudi Arabia
Tel: +966 (13) 668 5700
Fax: +966 (13) 887 3931
Website: www.deloitte.com/middleeast
Email: dttauditkhobar@deloitte.com

Market and Industry Research Consultant

Frost and Sullivan International Inc.
Jumeirah Lake Towers
P.O. Box 33372, Dubai 2601, UAE
Tel: +971 44331 893
Fax: +971 442431 4264
Website: ww2.frost.com
Email: meenquiries@frost.com

Persons authorized to offer or sell shares	
Saudi Fransi Capital King Fahad Road P.O. Box 23454, Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa Email: info@fransicapital.com.sa	السعودي الفرنسي كابيتال Saudi Fransi Capital

Note: The above Advisors have given and not withdrawn their written consent to the publication of their names, addresses and logos in the Prospectus, and the publication of their statements in the form and content appearing herein as of the date of this Prospectus. Moreover, they do not themselves, nor any of their subsidiaries, shareholders, board of directors or relatives have any shareholding or interest of any kind in the Company.

Main Banks of the Company

Banque Saudi Fransi
Ma'ather Road
P.O. Box: 56006, Riyadh 11554
Kingdom of Saudi Arabia
Tel: +996 (11) 404 2222
Fax: +966 (11) 404 2311
Website: www.alfransi.com.sa
Email: communications@alfransi.com.sa

Alinma Bank
P.O. Box 66674 Riyadh 1586
Kingdom of Saudi Arabia
Tel: +966 (11) 2185555
Fax: +966 (11) 2185000
Website: www.alinma.com
Email: info@alinma.com

National Commercial Bank
King Abdul Aziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 (12) 649 3333
Fax: +966 (12) 643 7426
Website: www.alahli.com
Email: contactus@alahli.com

SAMBA Financial Group
King Abdul Aziz Road
P.O. Box 833, Riyadh11421
Kingdom of Saudi Arabia
Tel: +966 (11) 477 4770
Fax: +966 (11) 479 9402
Website: www.samba.com
Email: customercare@samba.com

Alawwal Bank
Prince Abdulaziz Bin Musa'ad Bin Jalawi Street (Aldabab)
P.O PO Box 1467, Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966 (11) 406 7888
Fax: +966 (11) 405 8820
Website: www.alawwalbank.com
Email: csc@saudihollandibank.com

AlRajhi Bank
Olaya Street
P.O. Box 28 Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 609 8888
Fax: +966 (11) 609 8881
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Summary of the Offer

Before making an investment decision with respect to such Shares, investors willing to subscribe for the Offer Shares should read and review the entire Prospectus. In particular, it is necessary to consider "Important Notice" Section and "Risk Factors" Section before making any investment decision on the Offer Shares:

Company Name, Description and Incorporation	On 17/01/1429H (corresponding to 26/01/2008G), Pan Gulf Holding Company ,which owns a branch named Gulf Steel Works Factory registered under Commercial Registration No. 2055003300 issued in Jubail on 08/05/1414H (corresponding to 24/10/1993), and Pan Gulf Industrial Investment established Gulf Steel Works Company as a limited liability company in Khobar under the Commercial Registration No. 2051037320 dated 16/05/1429H (corresponding to 21/05/2008). Gulf Steel Works Factory remained as a subsidiary of Gulf Steel Works Company in Jubail. The Company's capital was set at twenty-eight million Saudi riyals (SAR 28,000,000) divided into fully paid two million and eight hundred thousand (2,800,000) ordinary shares with a nominal value of SAR (10) per share. After valuing the assets and equity of the subsidiary at twenty-eight million Saudi riyals (SAR 28,000,000), the new partner - Pan Gulf Industrial Investment Company Limited paid the value of his shares in the capital. On 05/11/1435H (corresponding to 31/08/2014G), the capital of the Company was increased from twenty-eight million Saudi riyals (SAR 28,000,000) to fifty million Saudi riyals (SAR 50,000,000) divided into five million (5,000,000) shares with a nominal value of ten Saudi riyals (SAR 10) per share by capitalizing an amount of twenty-two million Saudi riyals (SAR 22,000,000) by Gulf Steel Works Company's partners under the certificate issued by Gulf Steel Works Company's legal accountant. On 11/02/1436H (corresponding to 03/12/2014G), Pan Gulf Holding Company transferred all of its three million (3,000,000) shares, of which two million nine hundred and fifty thousand (2,950,000) shares were transferred to Pan Gulf Industrial Investment Company and fifty thousand (50,000) shares were transferred to Pan Gulf Steel as a new partner in Gulf Steel Works Company. On 16/03/1438H (corresponding to 15/12/2016G), with the desire of the partners to support and enhance the factory's activity and increase its operation, Gulf Steel Works Factory (the "Branch") was converted to a company retaining its the number and date of its Commercial Registration while Gulf Steel Works Company became a branch of the Company. On 25/05/1438H (corresponding to 22/02/2017G), the Company's share capital was increased from fifty million Saudi riyals (SAR 50,000,000) to two hundred million Saudi riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share, through capitalizing one hundred and fifty million Saudi riyals (SAR 150,000,000) from the retained earnings account of the Company. Pursuant to the partners' resolution dated 24/06/1438H (corresponding to 23/03/2017G), the Company was converted from a limited liability company into a closed joint stock company with the same capital of two hundred million Saudi riyals (SAR 200,000,000). The Company was converted into a closed joint stock company pursuant to the resolution of the Ministry of Commerce and Investment No. 227/S issued on 07/07/1438H (corresponding to 04/05/2017G).
Company Activities	According to the Commercial Registration, the Company's main activity is in the field of metal industries.
Substantial Shareholders, their ownership percentage and number of Shares before and after the Offering	The following table sets out names and shareholding of the Substantial Shareholders of the Company before and after Offering:

Shareholder	Pre-Offering		Post-Offering	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	99%	13,860,000	69.3%

Issued Share Capital	SAR 200,000,000.
Total number of Issued Shares	20,000,000 ordinary shares, fully paid.
Nominal Value Per Share	SAR 10 per share.
Total Number of Offered Shares	6,000,000 ordinary shares.
Percentage of Offer Shares	30% of the Share Capital of the Company.
Offer Price	[•]
Total Value of Offering	[•]
Use of Proceeds	The proceeds of the Offer amounting to SAR [•] (after deduction of all costs and expenses amounting to approximately SAR [•]) will be paid to the Selling Shareholders on a pro rata basis. The Company will not receive any part of the Net Proceeds (see Section (9) "Use of Proceeds").

Types of Targeted Investors	Tranches of Targeted Investors include each Qualified Investor: 1- Authorized persons acting for their own account; 2- Clients of an Authorized Person authorized to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client; 3- the Government of the Kingdom, any government body, any supranational authority recognized by the CMA or the Exchange, and any other stock exchange recognized by the CMA or the Securities Depository Center; 4- Government-owned companies, whether investing directly or through a portfolio managed by a person authorized to carry out managing activities; 5- Companies and funds established in a member state of the GCC; 6- Investment funds; 7- Qualified foreign investors; 8- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre; 9- Any other natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre and fulfill any of the following criteria: a- has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months; b- the average size of his securities portfolio shall exceed 10 million Saudi riyals during the last twelve months, or c- holds the General Securities Qualification Certificate which is recognised by the CMA. 4- Any other persons prescribed by the CMA.
Subscription Method	The Offering will commence on 09/03/1439H (corresponding to 27/11/2017G) and will remain open for a period of (22) days, including and up to the last date of the subscription 30/03/1439H (corresponding to 18/12/2017G). The Financial Advisor shall provide the Qualified Investors with application forms which can be provided through contact with the Financial Advisor.
Minimum number of Shares to be subscribed for	500 ordinary shares
Minimum value of Shares to be subscribed for	[•]
Maximum number of Shares to be subscribed for	999,999 ordinary shares
Maximum value of Shares to be subscribed for	[•]
Allocation and Refund Method	The Financial Advisor will open a trust account. Each subscriber must deposit the subscription amounts in such account. Excess subscription monies, if any, will be refunded to the Subscribers without deducting any charge or commissions by the Lead Manager. Notification of the final allocation and the refund of excess subscription monies, if any, will be made no later than 01/04/1439H (corresponding to 19/12/2017G).
Offer Period	The Offering will commence on 09/03/1439H (corresponding to 27/11/2017G) and will remain open for a period of (22)days, up to 30/03/1439H (corresponding to 18/12/2017G).
Dividend Distribution	The Offer Shares will entitle holders to receive any dividends declared by the Company after the date of this Prospectus and for subsequent fiscal years. (See Section 7 "Dividend Policy" for more information).
Voting Rights	The Company has one class of shares only. None of the Shares carry any preferential rights. Each Share entitles its holder to one vote and each Shareholder's share has the right to attend and vote at the General Assembly Meetings. A Shareholder may authorize another Shareholder, other than a Director, to attend the General Assembly on his/her behalf.
Restrictions on Shares	The persons whose names are included in the Prospectus as the Selling Shareholders as indicated on page (x) shall be subject to CMA restrictions on trading its shares for period of (12) months from the date the shares are traded in the parallel market. After the Lock-up period has elapsed, Selling Shareholders (except for the Substantial Shareholder) may only dispose their shares, after obtaining prior approval from CMA. In addition to such period, Pan Gulf Industrial Investment Company Limited (the "Substantial Shareholder") may not dispose of the shares for period of (12) months after the end of the Lock-up Period. The Substantial Shareholder may dispose of its shares after the end of the 24-month period.

Listing and Trading the Shares	Prior to its offering in the parallel market, the Company has not previously listed any of its shares in any market in the Kingdom or elsewhere. An application has been made to the CMA for the registration and admission to listing of the Shares on the parallel market in accordance with the Listing Rules in the Parallel Market, and all relevant approvals required to conduct the Offering have been granted. Trading is expected to commence on the Parallel Market soon after the final allocation of the Shares (for further details, please see "Key Dates and Subscription Procedures"on page (ix)).

Key Dates and Subscription Procedures

Event	Date (s)
Offer Period	The Offer Period will commence on 09/03/1439H (corresponding to 27/11/2017G) and end on 30/03/1439H (corresponding to 18/12/2017G).
Deadline for Application Forms to be submitted	30/03/1439H (corresponding to 18/12/2017G).
Notification of final allotment and refund of excess subscription monies (if any)	01/04/1439H (corresponding to 19/12/2017G).
Deadline for payment of subscription monies based on the number of Shares allocated to each Subscriber	15/04/1439H (corresponding to 02/01/2018G).
Expected date of commencement of trading in the parallel market	Trading in the Offer Shares is expected to commence on the parallel market after all relevant legal requirements are fulfilled. Trading will be announced through local newspapers and Tadawul's website www.tadawul.com.sa.

Note: All of the aforementioned dates are indicative. Actual dates and times shall be announced in local newspapers published in the Kingdom, as well as on Tadawul's website (www.tadawul.com.sa) and the CMA website (www.cma.gov.sa).

How to apply

The Offering shall be limited to Qualified Investors:

1- Authorized persons acting for their own account;

2- Clients of an Authorized Person authorized to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client;

3- the Government of the Kingdom, any government body, any supranational authority recognized by the CMA or the Exchange, and any other stock exchange recognized by the CMA or the Securities Depository Center;

4- Government-owned companies, whether investing directly or through a portfolio managed by a person authorized to carry out managing activities;

5- Companies and funds established in a member state of the GCC;

6- Investment funds;

7- Qualified foreign investors;

8- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre;

9- Any other natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre and fulfill any of the following criteria:

   (a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months;

   (b) the average size of his securities portfolio shall exceed 10 million Saudi riyals during the last twelve months, or

   (c) holds the General Securities Qualification Certificate which is recognised by the CMA.

10- Any other persons prescribed by the CMA.

Application Forms will be available to Subscribers during the Offer Period by the Financial Advisor. Subscribers shall complete the Subscription Applications in accordance with the instructions set forth in the Prospectus and the Application Form. Each Subscriber must agree to the terms and conditions and complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event that any of the subscription terms and conditions is not met or the instructions are not duly and timely followed. Amendments to or withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Company. The subscription amount must be paid in full

upon submission of the Application through authorizing the Financial Advisor to deduct the amount required from the account of the subscriber with a Saudi bank or by a certified bank check drawn at a local bank and recorded on behalf of the Company (see Section "Information regarding Shares and Terms and Conditions of the Offering" in this Prospectus).

SUMMARY OF KEY INFORMATION

This summary is a brief overview of the key information contained in this Prospectus, and does not contain all of the information that may be important to Subscribers. This summary must be read as an introduction to this Prospectus. Therefore, it is recommended that you read the whole Prospectus before making a decision as to whether or not to invest in the Offer Shares.

Company Overview

On 17/01/1429H (corresponding to 26/01/2008G), Pan Gulf Holding Company ,which owns a branch named Gulf Steel Works Factory registered under Commercial Registration No. 2055003300 issued in Jubail on 08/05/1414 H (corresponding to 24/10/1993), and Pan Gulf Industrial Investment established Gulf Steel Works Company as a limited liability company in Khobar under the Commercial Registration No. 2051037320 dated 16/05/1429H (corresponding to 21/05/2008). Gulf Steel Works Factory remained as a subsidiary of Gulf Steel Works Company in Jubail. The Company's capital was set at twenty-eight million Saudi riyals (SAR 28,000,000) divided into fully paid (2,800,000) ordinary shares with a nominal value of SAR (10) per share. After valuing the assets and equity of the subsidiary at twenty-eight million Saudi riyals (SAR 28,000,000), the new partner - Pan Gulf Industrial Investment Company Limited paid the value of his shares in the capital.

The table below shows the ownership structure of the Company upon incorporation:

Table 1: The Gulf Steel Works Company's Shareholders upon incorporation

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Holding Company	2,520,000	25,200,000	90%
Pan Gulf Industrial Investment Company	280,000	2,800,000	10%
Total	**2,800,000**	**28,000,000**	**100%**

Source: The Company

On 05/11/1435H (corresponding to 31/08/2014G), the capital of Gulf Steel Works Company was increased from SAR (28,000,000) to SAR (50,000,000) divided into (5,000,000) shares with a nominal value of SAR (10)per share by capitalizing of SAR (22,000,000) by Gulf Steel Works Company's partners pursuant to the certificate issued by the Gulf Steel Works Company's legal accountant. The following table shows the Company's ownership structure following the raise of capital.

Table 2: Company's ownership structure as on 05/11/1435H (corresponding to 31/08/2014G)

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Holding Company	3,000,000	30,000,000	60%
Pan Gulf Industrial Investment Company	2,000,000	20,000,000	40%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 11/02/1436H (corresponding to 03/12/2014G), Pan Gulf Holding Company assigned all its three million (3,000,000) shares, of which two million nine hundred and fifty thousand (2,950,000) shares were transferred to Pan Gulf Industrial Investment Company and fifty thousand (50,000) shares to Pan Gulf Steel as a partner of Gulf Steel Works Company. The table below shows the ownership structure of Gulf Steel Works Company after allocations are transferred:

Table 3: Company's ownership structure as on 11/02/1436H (corresponding to 03/12/2014G)

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	4,950,000	49,500,000	99%
Pan Gulf Steel	50,000	500,000	1%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 16/03/1438H (corresponding to 15/12/2016G), with the desire of the partners to support and enhance the factory's activity and increase its operation, Gulf Steel Works Factory (the "Branch") was converted to a company retaining its the number and date of its Commercial Registration (the "Company") while Gulf Steel Works Company became a branch of the Company.

On 25/05/1438H (corresponding to 22/02/2017G), the Company's share capital was increased from fifty million Saudi Riyals (SAR 50,000,000) to two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share, through capitalizing one hundred and fifty million Saudi riyals (SAR 150,000,000) from the retained earnings account of the Company. The following table shows the Company's ownership structure following the raise of capital.

Table 4: Company's ownership structure as on 25/05/1438H (corresponding to 22/02/2017G)

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	198,000,000	99%
Pan Gulf Steel	200,000	2,000,000	1%
Total	**20,000,000**	**200,000,000**	**100%**

Source: The Company

Pursuant to the partners' resolution dated 24/06/1438H (corresponding to 23/03/2017G), the Company was converted from a limited liability company into a closed joint stock company with the same capital of two hundred million Saudi riyals (SAR 200,000,000).

The Company was converted into a closed joint stock company under the resolution of the Ministry of Commerce and Investment No. 227/S issued on 07/07/1438H (corresponding to 04/05/2017 G).

The following table shows the Company's ownership structure after conversion:

Table 5: Company's ownership structure as on 03/07/1438H (corresponding to 31/03/2017G)

Shareholder's Name	Number of shares	Value of Shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	198,000,000	99%
Pan Gulf Steel	200,000	2,000,000	1%
Total	**20,000,000**	**200,000,000**	**100%**

Source: The Company.

The Board of Directors of the Company decided on 18/01/1439 H (corresponding to 09/10/2017) to offer 30% of the Company's shares in the parallel market after obtaining the necessary legal approvals. According to the Commercial Registration, the Company's activities are in the field of metal industries.

Substantial Shareholders owning 5% or more of the Company's shares

The following table sets out names and shareholding of the Substantial Shareholders of the Company before and after Offering:

Shareholder	Pre-Offering		Post-Offering	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	99%	13,860,000	69.3%

Source: The Company

Mission

The Company seeks to achieve its vision by:

- leveraging its highly skilled and dedicated employee base and its state-of-the -art facility
- strengthening its position in the local and global markets.
- enhancing client confidence by providing quality products and services.

Vision

The Company aims to become a leading diversified business committed to sustaining excellent performance in every market it serves, by delivering high quality, safe and reliable products, services and industrial solutions, both locally and internationally.

Strategy

The Company's strategic objective is to create value for all shareholders by providing a full range of engineering and manufacturing products in order to enhance its position as a leading heavy steel structure fabricator, system integrator, process equipment manufacturer and service provider, and to expand its presence in the global markets for its products.

Strengths and Competitive Advantages

- **Strong market position in a challenging industry**

The Company is a producer of complex equipment and products. It believes that it has a strong market position in developing steel structures and complex equipment for clients in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries. The capital-intensive nature of production, high technological sophistication of production processes, regulatory and industrial certification and specification approvals from major customers, including key participants in the oil and gas industry, all serve as barriers to entry into this sector. It is common practice for participants to be required to design and build a prototype product for the customers' approval in accordance with their specifications and standards. This requires a participant to incur significant capital expenditure with no assurance of a return from the product. After having integrated the product, there is no assurance that a participant will be awarded the contract and be able to monetize its investment in the product. This also serves as a barrier to enter into this sector.

- **State of the art technology**

The high sustained growth of the industrial sector is attracting the latest technologies and equipment. The Company has implemented sophisticated design software which enables its centralized systems to coordinate all automated machines used by the Company's engineering department.

All of the Company's buildings and its Facility are linked to the main data centre with backup lines. This state of the art technology ensures better productivity for the Company's employees and helps avoid any technical malfunctions in the system.

- **Diversified products and client base**

The Company also serves a broad range of industrial sectors including the oil and gas sector, petrochemical sector, water and power sector and mining sector, as well as other infrastructure projects in the GCC and the MENA region (for more information, see Section (4.8) "Products and Divisions of the Company") such as the stadium in Basra, Iraq and the supply of site tanks in the Habshan project in Abu Dhabi, UAE.

The Company believes that it offers a more extensive range of products than many of its competitors. Through its diversified product and service offerings, the Company is able to offer its customers a "one product package" solution, allowing it to supply customers with a full range of approved/ accredited products and services across different sectors, and allow the customers to use integrated and diversified products from one source and one supplier.

- **Strategic location and strong infrastructure backing**

The Company's facility is strategically located in Jubail Industrial City. The facility has an area of 147,000 m2, with an annual capacity of 60,000 tons of structural steel, along with an actual annual operating capacity of 70% for the financial year 2017G and a total workforce in excess of 1,500 employees, providing it with the capacity to meet market needs and capitalize on business opportunities. The Company also benefits from its status as a local manufacturer for the following reasons:

  - The Company is able to provide clients with the opportunity to check and follow-up on the products throughout the manufacturing process, offer shorter delivery times and provide prompt after-sales support.
  - Transportation time for a foreign manufacturer can take up to one or two months, with late deliveries to customers often resulting in penalties. In addition, foreign manufacturers are subject to customs and transportation costs, all of which reduce margins for international suppliers.
  - The Company's "on-the-ground" presence inside the Kingdom facilitates continuous and direct interaction with its clients.

- **Localization Strategy in line with IKTVA Program 2030**

It has been publicly announced that Aramco has recently launched its In-Kingdom Total Value Add (IKTVA) program. IKTVA is underpinned by mandatory 'local content development' of suppliers and contractors that prioritizes the purchase of goods and services from a local supplier base. The policy mandates a significant increase in the percentage of locally-manufactured energy-related goods and services to 70% by 2021. Accordingly, the Company expects to enjoy a relative advantage over international competitors in supplying many of the local projects with Aramco.

- **International technical approvals and regional key customers approval**

The Company's manufacturing processes are carried out in accordance with the international norms or under accreditations or product certification licenses, and most of the Company's products are manufactured to international specifications. In every case, they are issued by a number of international accrediting agencies. These accreditations and product specifications issued by API, ASME, and ISO certification are the industry standards requested by the Company's customers.

The quality of the Company's products is critical, and the Company's ability to manufacture its products to international specifications demonstrates its commitment to quality and has resulted in its reputation as being one of the regional leaders in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries.

The Company has also obtained various approvals from major companies in the oil and gas sector which are prerequisites for its customers who supply various end-users with products which meet certain accreditation standards. The Company believes that this provides the Company with an advantage over other competitors in the same sector.

- **Design capabilities, experience and know-how**

The Company offers a variety of products to meet the needs of major clients for large scale projects. This in turn enhances the Company's competitive position vis-à-vis its competitors, whereby it can modify its product's specific production capacity according to changing demand and specification needs.

In order to maximize efficiency, the Company has outsourced its heavy and complex design and engineering function to Pan Gulf Industrial Investment Company and Pan Gulf Holding Company.

A sector-specific engineering capability is a critical enabler for the Company to successfully bid for large projects. Through its long-term framework agreement with Pan Gulf Technologies for a period of (5) years commencing on 01/04/2017G, the Company has access to design and engineering services by an experienced and dedicated team of over 200 qualified engineers. Pan Gulf Technologies has developed a significant amount of know-how in terms of industry specifications and certifications. The accumulated experience enables Pan Gulf Technologies to develop new products for the different divisions of the Company to a higher quality standard within a relatively short time.

- **Industry expertise and experienced management team**

Members of the Company's senior management team combine strong commercial, technical and management skills and have been with the business on average for seven years. Management believes that the Company's industry expertise and experienced management team enable it to capitalize on potential opportunities in the market.

Overview of the product

Overview of the KSA's Macroeconomic Performance

The economy of the Kingdom of Saudi Arabia, the largest economy in MENA region, remains heavily dependent on the oil sector. The Kingdom has proven oil reserves representing 18% of the world's reserves and is one of the largest oil exporters and the second largest oil producer in the world.

Although oil production increased and international oil prices slightly increased, domestic economic conditions remain unfavourable to growth. The Saudi economy witnessed a slow growth of 1.4% in 2016G. Lower oil revenues resulted in a reduction in subsidies on energy, water and public spending, which in turn led to a significant reduction in economic activity and spending in the country.

The Saudi Vision 2030 was adopted in April 2016. The main objective of Saudi Vision 2030 is to transform the country from a relatively closed economy based on public spending and the oil sector to an open and diversified economy in which the private sector plays a key role in economic growth. In addition, the In-Kingdom Total Value Add (IKTVA) program was launched in the Kingdom on December 2015G. It is a mandatory strategic program intended to increase the local added value to achieve localization by 70% of all goods and service expenditures, together with allowing the export of 30% of the Kingdom's energy sector by 2021.

Fabrication Industry in the GCC

Fabrication Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012G actual	2013G actual	2014G actual	2015G actual	2016G actual
Fabrication Industry in GCC	22.7	25.0	27.5	28.3	28.8

Source: Market Consultant

Skids Industry in the GCC

Skids Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012G actual	2013G actual	2014G actual	2015G actual	2016G actual
Skids Industry in GCC	3.5	3.9	4.3	4.4	4.6

Source: Market Consultant

Process Equipment Industry in the GCC

Process Equipment Fabrication Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012G actual	2013G actual	2014G actual	2015G actual	2016G actual
Process Equipment Fabrication in GCC	9.3	10.1	11.1	11.3	11.4

Source: Market Consultant

Fabricated Structural Steel in the GCC

Fabricated Structural Steel Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012G actual	2013G actual	2014G actual	2015G actual	2016G actual
Fabricated Structural Steel Industry in GCC	6.6	7.5	8.3	8.5	8.7

Source: Market Consultant

Site Fabrication and Maintenance in the GCC

Site Fabrication and Maintenance Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012G actual	2013G actual	2014G actual	2015G actual	2016G actual
Site Fabrication and Maintenance Industry in the GCC	3.3	3.6	3.9	4.1	4.1

Source: Market Consultant

Summary of Financial Information

The Company's summary of financial information set out below should be read in conjunction with the Company's financial statements and notes thereto, and included in Section (17) "The Accountant's Report". The Summary of Financial Information set out below is based on the Company's Financial Statements ended 31 March 2015G, 2016G, and 2017G.

Income Statement

The following table sets out the Company's Income Statement for the financial years ended 31 December 2015G, 2016G, and 2017G:

('000 SAR)	31 March 2015	31 March 2016	31 March 2017	Change 2015 - 2016	Change 2016 - 2017	CAGR 2015-2017
Revenue						
Structural steel	244,279	172,871	248,197	(29.2%)	43.6%	0.8%
Processing equipment	43,462	72,761	119,661	67.4%	64.5%	65.9%
Skids	48,674	156,975	326,542	222.5%	131.0%	172.9%
Site Fabrication and Maintenance	53,302	205,129	113,881	142.4%	(11.9%)	46.2%
Cladding	-	-	111	-	-	-
Total revenues	**389,715**	**531,812**	**844,392**	**36.5%**	**58.8%**	**47.2%**
Direct costs	(326,519)	(427,345)	(670,159)	30.9%	56.8%	43.3%

('000 SAR)	31 March 2015	31 March 2016	31 March 2017	Change 2015 - 2016	Change 2016 - 2017	CAGR 2015-2017
Gross profit	63,195	104,467	174,233	65.3%	66.8%	66.0%
Operating expenses						
Sales and marketing expenses	(3,796)	(5,073)	(5,613)	33.6%	10.7%	21.6%
Provision for doubtful debt	(3,900)	(8,500)	(4,838)	117.9%	(3.1%)	11.4%
General and administrative expenses	(29,998)	(33,151)	(40,209)	10.5%	21.3%	15.8%
Operating income	25,502	57,744	123,572	126.4%	114.0%	120.1%
Finance costs	(8,176)	(6,434)	(13,412)	(21.3%)	108.5%	28.1%
Other income (expenses)	84	86	(3,473)	2.4%	(4.138.4%)	-
Net income for the year	17,409	51,397	106,687	195.2%	107.6%	147.6%

Source: Audited Financial Statements

Statement of Financial Position

The following table sets out a summary of the Company's statement of financial position for the financial years ended 31 December 2015G, 2016G, and 2017G:

('000 SAR)	31 March 2015	31 March 2016	31 March 2017	Change 2015 - 2016	Change 2016 - 2017	CAGR 2015-2017
Total current assets	347,280	565,700	728,666	62.9%	28.8%	44.9%
Total non-current assets	180,405	218,306	233,950	21.0%	7.2%	13.9%
Total assets	**527,685**	**784,006**	**962,617**	**48.6%**	**22.8%**	**35.1%**
Total current liabilities	311,669	524,382	601,449	68.2%	14.7%	38.9%
Total non-current liabilities	30,458	22,669	17,526	(25.6%)	(22.7%)	(24.1%)
Total liabilities	**342,217**	**547,051**	**618,975**	**59.9%**	**13.1%**	**34.5%**
Total shareholders' equity	**185,558**	**236,955**	**343,642**	**27.7%**	**45.0%**	**36.1%**
Total liabilities and shareholders' equity	**527,685**	**784,006**	**962,617**	**48.6%**	**22.8%**	**35.1%**

Source: Audited Financial Statements

Cash Flow Statement

The following table sets out a summary of the Company's Cash Flow Statement for the financial years ended 31 December 2015G, 2016G, and 2017G:

('000 SAR)	31 March 2015	31 March 2016	31 March 2017	Change 2015 - 2016	Change 2016 - 2017	CAGR 2015-2017
Net cash used in operating activities	101,852	(47,904)	(93,658)	(147.0%)	95.5%	-
Net cash used in investing activities	(23,124)	(36,650)	(34,582)	(58.5%)	5.6%	(22.3%)
Net cash used in financing activities	(78,801)	85,486	131,561	208.5%	53.9%	-
Net cash used during the period	(72)	932	3,322	1,376.7%	256.5%	-
Cash and cash equivalents at year start	752	679	1,611	(9.6%)	137.2%	46.4%
Cash and cash equivalents at year end	679	1,611	4,933	137.3%	206.2%	169.5%

Source: Audited Financial Statements

Key performance indicators

	31 March 2015	31 March 2016	31 March 2017
Sales growth rate	-	36.5%	58.8%
Net income/(loss) growth rate	-	195.2%	107.6%
Gross profit margin	16.2%	19.6%	20.6%
Net operating margin/(Loss)	4.5%	9.7%	12.6%
Current assets/current liabilities	1.1	1.1	1.2
Total liabilities/ equity	1.8	2.3	1.8
Return on assets' equity	3%	7%	11%
Return on equity	9%	22%	31%

Source: The Company

Summary of Risk Factors

There is a number of risks related to offered shares. Such risks are included in three main groups as follows: Risks related to the Company's activity and operation, risks related to the market and sector, and risks related to shares. Such risks are discussed in details in Section (2) "Risk Factors", which should be carefully considered prior to making a decision to invest in the Company's shares.

a. Risks related to the Company's activity and operation

- Product Defects and Liability
- Risks of Not Maintaining Quality Certifications
- Risks related to Unavailability of Raw Materials and Fluctuations in their Cost and Prices
- Risks of Concentration of the Company's Revenues
- Risks related to Liquidity
- Risks related to Zakat
- Risks of High Labour Cost
- Risks related to Fines imposed under Contracts and Late Payments
- Risks or Relying on Technology and Information Systems
- Risks of Unexpected Business Interruption
- Risks of Inadequacy of Insurance
- Risks of Reliance on Key Suppliers
- Risks of Lack of Long-term Supply Contracts
- Risk of Reliance on Major Customers
- Risks related to the Company's fluctuating total annual revenues due to relying on project completion percentage (purchase orders)
- Risks of Dependence on Qualified Personnel and Skilled Workers
- Client Credit Risks
- Risks related to obtaining Licenses or Expiration or Non-renewal thereof
- Brand Protection and Technical Expertise
- Risks of Reliance on Technical Support and Design Arrangements
- Accidents and Injuries Resulting from the Company's Operations
- Emergence of New Technologies
- Litigation Risk
- Transactions with Related Parties
- Risks related to Financing
- Risks of Potential Financial Obligations
- Reliance on Guarantees
- Risks related to Joint Facility Agreements

- Risks related to Implementing the Expansion and Growth Strategy
- Expertise in Managing a Joint Stock listed Company
- Risks of Newly Adopted Corporate Governance Manual
- Risks of the Newly-formed Board Committees
- Risks of Management Decisions
- Risk of Transition to International Accounting Standards
- Risks of Noncompliance with Lease Clauses
- Risks related to Unbilled Revenue

b. Risks Related to the Market and Industry

- Reliance on Investing in Oil, Gas, Infrastructure, Petrochemicals, Water and Energy Sectors
- Abolishment of Energy Subsidies in the Kingdom
- Risks of Changes to the Regulatory Environment
- Competitive Environment
- Compliance with Environmental, Health and Safety Regulations, Etc.
- Political and Economic Risks
- Risks related to Currency Exchange Rates
- Risks related to Fluctuations in Interest Rates
- Saudization

c. Risks related to the Shares

- Risks related to Liquidity and Potential Fluctuations in Share Price
- Effective Control by the Selling Shareholders
- Risks related to the Absence of a Prior Market for the Company's Shares
- Risks related to Dividend Distribution
- Risks of Offering Additional Shares for Capital Increase
- Risks related to Selling and Offering New Shares in the Future

Industry and Market Data

Information related to industry and market contained in this Prospectus has been obtained by Frost and Sullivan International. It is believed that the estimates and analysis of this source are reliable; however, the Company's Board of Directors, the financial advisor or any of the Company's consultants (whose names are set out in pages (iv) and (v) of this Prospectus) have not verified them independently. Therefore, its accuracy and completeness may not be guaranteed.

It should be noted that neither Frost and Sullivan, nor any of its employees, relatives or related parties, has any shares or interest of any kind in the Company. It has given and not withdrawn its written consent to the publication of the statements made in this Prospectus in the "Market Overview" with its wording and statement as of the date of this Prospectus.

Table of Contents

Tables Index

1. Terms and Definitions

Term	Definition
Listing	Listing of the Offer Shares on the list of companies in the parallel market and approval of the trading thereof
Offer	The initial Offering in the parallel market of the six million (6,000,000) fully paid ordinary shares with a nominal value of (SAR 10) ten Saudi riyals per share, representing 30% of the Company's share capital
Gulf Steel Works Factory, the Company, or the Issuer	Gulf Steel Works Factory
The Management	The Company's Management
Government	The Government of the Kingdom of Saudi Arabia
Share	A share of the Company with a fully paid nominal value of (SAR 10) ten Saudi riyals
Saudi Stock Exchange "Tadawul"	The Saudi Stock Exchange, the automated system for trading of Saudi shares
Financial Statements	Audited Financial Statements for the financial years ended 31 March 2015G, 2016G and 2017G
Shareholders	Shareholders at any time
Financial year	The year ended 31 March of every financial year
Financial Advisor	Saudi Fransi Capital
Investor	Each person investing in the Offer Shares
Qualified Investor	1- Authorized persons acting for their own account; 2- Clients of an Authorized Person authorized to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client; 3- the Government of the Kingdom, any government body, any supranational authority recognized by the CMA or the Exchange, and any other stock exchange recognized by the CMA or the Securities Depository Center; 4- Government-owned companies, whether investing directly or through a portfolio managed by a person authorized to carry out managing activities; 5- Companies and funds established in a member state of the GCC; 6- Investment funds; 7- Qualified foreign investors; 8- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre; 9- Any other natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre and fulfill any of the following criteria: a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months; b) the average size of his securities portfolio shall exceed 10 million Saudi riyals during the last twelve months, or c) holds the General Securities Qualification Certificate which is recognised by the CMA. 4- Any other persons prescribed by the CMA.
Factory	The Company's Factory
Lead Manager	Saudi Fransi Capital
Risk Factors	A group of potential influences that should be understood and hedged against prior to subscribing to the Offer Shares
Subscriber	Each qualified investor submitting an application for subscription under the terms and conditions for subscription
Kingdom	The Kingdom of Saudi Arabia

Term	Definition
Skids	A structural frame on which various items of equipment are mounted and integrated and then interconnected with pipes and further integrated with certain instruments and process control systems
Bylaws	The Company's Bylaws
Ministry	The Ministry of Commerce and Investment in Saudi Arabia
ISO	International Standardization Organization
Saudi riyal	Saudi riyal, the local currency of the Kingdom of Saudi Arabia
Offer Price	[•] Saudi riyals per share
Offer Period	Period commencing on 09/03/1439H (corresponding to 27/11/2017G) to 30/03/1439H (corresponding to 18/12/2017G)
Lock-up Period	The persons whose names are included in the Prospectus as the Selling Shareholders as indicated on page (28) shall be subject to CMA restrictions on trading its shares for period of (12) months from the date the shares are traded in the parallel market. After the Lock-up period has elapsed, Selling Shareholders (except for the Substantial Shareholder) may only dispose their shares, after obtaining prior approval from CMA. In addition to such period, Pan Gulf Industrial Investment Company Limited (the "Substantial Shareholder") may not dispose of the shares for period of (12) months after the end of the Lock-up Period. The Substantial Shareholder may dispose of its shares after the end of the 24-month period.
The Listing Rules in parallel market	The Listing Rules in the parallel market, which are issued by CMA under Resolution No. 3-151-2016, dated 22/03/1438H (corresponding to 21/12/2016G) based on Capital Market Law promulgated under the Royal Decree No. M/20, dated 02/06/1424H
Nominal Value	SAR 10 per Share
Offering Proceeds	The total value of the Shares subscribed for
Net Proceeds	Net Proceeds of the Offer after deduction of the Offering Expenses
Offer shares	(6,000,000) ordinary shares of the Company
Board or Board of Directors	The Company's Board of Directors
Company's Advisors	The Company's advisors with respect to offering the Company's shares in the parallel market and whose names are set out in pages (iv) and (v)
Prospectus	This Prospectus, which is prepared by the Company for Subscription
Companies Regulations	The Companies Law promulgated pursuant to Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G), which came into force on 25/07/1437H (corresponding to 02/05/2016G)
Subscription Application Form	An Application form to subscribe for the Offer Shares.
Nitaqat/ Saudization Program	Saudization (Nitaqat) Program was approved under the Decision of the Minister of Labour No. 4040 dated 12/10/1432H (corresponding to 10/09/2011H) based on Council of Ministers Resolution No. 50 dated 12/05/1415H (corresponding to 27/10/1994G). The Kingdom's Ministry of Labour has launched the "Nitaqat" Program to provide incentives to organizations to recruit Saudi nationals. This program assesses the performance of any institution based on specific ranges, which are platinum, green, yellow, and red.
Saudization	Employment regulations of KSA, which require companies operating in the Kingdom to employ a specific percentage of Saudi nationals
Parallel Market	The market in which the listed Shares are traded and accepted under the "Listing Rules in the Parallel Market."
Capital Market Authority (CMA)	The Capital Market Authority of the Kingdom of Saudi Arabia.
Substantial Shareholders	Shareholders owning 5% or more of the Company's total shares as set out on page No. (A)
Selling Shareholders	Shareholders in the Company whose names and shareholding percentages are set out in Section 4.3 (General Overview of Selling Shareholders)
General Assembly	The General Assembly of the Company's Shareholders

Term	Definition
Corporate Governance Regulations	Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by CMA under Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on Companies Law promulgated under Royal Decree No. M/3, dated 28/01/1437H
Riyal	Saudi Arabian riyals, the currency of Saudi Arabia
Trade payables	Funds payable by (individual or institutional) Customers to another entity in return for goods and services used or received, and for which no payment has yet been made
Litigation	Recourse to the courts to settle a dispute
Manufacturing Industries	Industries whose activities involve the conversion of raw materials into finished or intermediate products
Value Added Tax (VAT)	The Council of Ministers decided on 2 Jumada Al-Awwal 1438H to approve the Unified GCC Value Added Tax Agreement, which will come into effect on 1 January 2018 as a new tax to be added to the system of taxes as well as other duties to be applied by specific sectors in the Kingdom and in the GCC countries. The amount of this tax is expected to be 5%, and a number of products (e.g. basic foodstuffs and health care and education services) will be excluded

2. Risk Factors

All prospective investors should carefully consider all information contained in this Prospectus, especially the risk factors described below, noting that they may not include all risks to which the Company may be exposed. There could be other risks, as of the date of this Prospectus., which are not known to, or considered immaterial by, the Company, but may affect the Company's operations if they occur.

Investment in the Offer Shares under this Prospectus involves high risks and is only suitable for investors who are capable of evaluating the merits and risks of such investment and bearing any loss which might result from such investment.

The Company's business, financial condition, results of operations, cash flows and future projections could be materially and adversely affected if any of the risks that the Company currently deems immaterial actually occur, or any other risks that the Company has failed to identify or currently deems immaterial but may occur or actually occurs and become immaterial.

The Directors acknowledge, to the best of their knowledge and belief, that there are no unidentified material risks that may affect the decision of investors as of the date of this Prospectus, except for what is disclosed within this Section.

Investment in the Offer Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Any prospective investor who is in any doubt about the action he/she should take should consult a financial advisor authorized to advise on investment in the Offer Shares.

If any of the risk factors occurs that the Company presently believes to be material or if any other risks occur which the Company did not identify or deems immaterial at the present time, this would cause the price of the Company's shares to drop and could result in the investor losing his/her entire investment in the Company's shares or in any part thereof.

The risks stated below are not arranged in an order that is based on their importance. Additional risks and uncertainties not presently known or currently believed not to be material by the Company's Senior Management may also have the material adverse effects stated above.

2-1 Risks related to the Company's activity and operation

2-1-1 Product Defects and Liability

The Company does not manufacture all of the spare parts used in any project that may be integrated to produce their final products, which includes industrial products such as valves or some industrial devices and systems which can be considered as semi- or fully manufactured. The percentage of spare parts depends on the final product of the Company. The Company purchases spare parts from suppliers and integrates them to produce the final product. The Company may be subject to claims relating to the products' liability, the quality of the guarantee, and other claims related to the quality of products that will be sold. Despite the Company's submission of guarantees with respect to the quality of products and their flawlessness, if the Company faces any of these claims against its interest of and with an amount exceeding the value of the Company's due obligations or any substantial amount, this will cause losses for the Company with respect to those products, which will in turn lead to lower margins. This will have a significant adverse effect on the Company's business, financial position, operating results, financial flows and profitability.

2-1-2 Risks of Not Maintaining Quality Certifications

Maintaining the Company's market position depends largely on maintaining and enhancing quality certifications. Due to difficult requirements for certifications and approvals in this sector, a significant portion of the Company's revenue is dependent on the certifications provided by the Substantial Shareholder in the oil and gas sector.

In order for the Company to meet industry and customer quality control standards and maintain its certifications, the Company must pass rigorous qualification tests that are often demanding, costly and time-consuming. There can be no assurance that the Company will maintain its current certifications and approvals already obtained, such as ISO quality certifications expiring in 2018, or that it will obtain and maintain the certifications required by new customers. Any failure or delay in meeting such standards or tests could negatively impact the Company's ability to remain competitive and maintain its current market position, which would have a material adverse effect on the Company's business, results of operations, financial condition and profitability.

2-1-3 Risks Related to Unavailability of Raw Materials and Fluctuations in their Cost and Prices

The Company purchases its raw materials and various components from various parties for use in its operations through purchase orders or short-term supply, which vary from one month to three months. The Company's operations rely heavily on the availability of raw materials with suppliers which mainly consist of steel and other raw materials such as copper,

aluminium, etc., which are used in consumables. Raw materials constituted 58.5%, 60.7% and 60.1% in 2015, 2016 and 2017 respectively, of total cost of sales. The Company relies on a number of local and foreign suppliers to supply raw materials, as the materials imported from the external suppliers account for 55% of the total raw materials. If the Company cannot obtain sufficient quantities of these items at competitive prices and on a timely basis, the Company may not be able to produce sufficient quantities of its products to satisfy market demands. Product shipments may be delayed or its material or manufacturing costs may increase. Due to the Company's inability to constantly and immediately adjust cost to the changing market conditions, it sometimes exceeds its ability to manufacture and integrate its production requirements.

Further, the prices of products are exposed to global fluctuations in the prices of steel and metals, steel in particular. The Company has not hedged against the risk of price volatility, which is caused by external conditions, such as global supply and demand relating to such commodities, speculations by market traders and international economic and political factors.

The Company may be unable to pass increases in the costs of its raw materials on to its customers or achieve operational efficiencies. Therefore, any shortage of such raw materials or the Company's inability to obtain them at competitive pricing would have a negative effect on the Company's production costs and could materially and adversely affect the Company's business, financial condition, results of operations, cash flows and profitability.

2-1-4 Risks of Concentration of the Company's Revenues

Although the Company has diversified products, Skids and structural steel accounted for 42.9% and 29.4% of the Company's total revenue for the year ended March 31, 2017 (equivalent to more than 72.3% of total revenue). The Company's inability to maintain its market share in these products will result in a decrease in the Company's revenues and profitability and consequently have a material adverse effect on the Company's business, financial position, results of operations, cash flows and profitability.

2-1-5 Risks related to Liquidity

Risks related to liquidity are risks in which the Company will be unable to provide the necessary funds to meet its financial obligations and liabilities on time. The Company does not guarantee that there will be no emergency or sudden events that may require immediate liquidity, which will have a material and negative impact on the Company's business, financial position, results of operations, cash flows and profitability.

2-1-6 Risks related to Zakat

The Company obtained a certificate from the General Authority of Zakat and Tax that is valid until 18/11/1439 H (corresponding to 31/07/2018 G). The Company cannot predict whether the General Authority of Zakat and Tax will accept its Zakat and tax assessments for each fiscal year. The Zakat and Income Tax Authority may impose material Zakat differences on the Company exceeding the amount paid by the Company as Zakat, in addition to delay fines of paying such amounts. This would have a material and negative impact on the Company's business, financial position, results of operations, cash flows and profitability.

2-1-7 Risks of High Labour Cost

In 2016, the Government adopted a number of resolutions intended to make comprehensive reforms of the labour market in the Kingdom of Saudi Arabia, including imposing additional fees for every non-Saudi employee working for a Saudi entity as of 01/01/2018G, in addition to an increase of resident fees for Non-Saudi employees' families as of 01/07/2017G. Once these resolutions come into force, they will increase the government fees paid by the Company for its non-Saudi employees in general. The increase in resident cost incurred by non-Saudi employee for Saudi employees' families would probably lead to an increase in the cost of living, resulting in the employee accepting to work in other countries with a lower cost of living. If this occurs, the Company will find it difficult to retain its skilled workers on one hand and may bear the cost of the increase of the government fees associated with their families' accommodation, which will cause an increase in the financial burdens on the Company, which will have a material and negative impact on the Company's business, financial position, results of operations, cash flows and profitability.

2-1-8 Risks related to Fines imposed under Contracts and Late Payments

The purchase orders and contracts entered into by the Company typically include a liquidated damages clause to protect its customers against any late completion of works. The Company may be liable to pay liquidated damages to its customers if they are unable to meet the time schedules specified in the contracts. Liquidated damages are typically paid at a rate provided in the relevant contract on a daily or weekly basis. Any failure to meet the time schedule requirements specified in the contracts without the extension of time may result in the Company being liable to pay significant liquidated damages, which could have a material adverse effect on the Company's business, financial position and results of operations and profitability.

Moreover, certain contracts entered into by the Company contemplate that the Company's failure to submit invoices to its customers in accordance with the customer's instructions may result in rejection or delay in payment by the customer, which will have a material adverse effect on the Company's business, financial position and results of operations and profitability.

The contracts and/or purchase orders concluded by the Company include items related to granting the customer the option of suspending or ending or minimizing their scope. Customers may also postpone the implementation of projects. Ending, postponing or changing the scope of any project, depending on its volume, may result in changes to the time expected to achieve revenues and reduce purchase orders, which could have a material adverse effect on the Company's business, financial position and results of operations and profitability.

2-1-9 Risks of Reliance on Technology and Information Systems

The Company relies heavily on computer information, communications technology and related information systems in order to properly operate its business. It should be noted that computer information and communications technology's supply contracts include the costs of training and qualifying the Company's employees to use the technology. If the Company experiences system interruptions and delays, it has annual contracts for systems maintenance with the suppliers of such systems. In the event the Company is unable to regularly use software and hardware, effectively upgrade its systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of its systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, the Company's computer and communication systems and operations could be damaged by natural disasters, force majeure events, telecommunications failures, power loss, computer viruses, malicious code, security or electronic breaches, intentional or inadvertent user misuse or error by the user, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the Company's business, financial condition, results of operations and profitability.

Given that the Company's systems may be vulnerable to security threats, the Company may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could have a material adverse effect on the Company's business, financial condition and results of operations and profitability.

2-1-10 Risks of Unexpected Business Interruption

Operation of the Company's Production Facility is prone to a number of risks, including severe weather conditions, power failures, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, fires and explosions, and normal hazards associated with operating manufacturing or production infrastructure. The occurrence of any of these or similar incidents could cause a significant disruption to the Company's business. In case of machines and equipment failure, the Company makes use of its trained manpower to perform maintenance on a year basis. If necessary, the Company will make use of the manufacturers of such machines and equipment, mainly foreign ones. The Company has a property all-risk insurance policy in place to cover the risk of business interruption. If there were to be a significant interruption of operations at the Company's Production Facility and production activities could not be transferred or could only be transferred to other locations at very high costs exceeding the coverage of the property all risk insurance policy, the Company might not be able to meet its obligations, which would have a material adverse effect on the Company's business, financial condition and results of operations and profitability.

2-1-11 Risks of Inadequacy of Insurance

The Company maintains insurance policies covering its assets, such as property all risk insurance, machine and equipment insurance, land transit insurance, motor fleet insurance, money insurance and marine open cover insurance. The Company cannot assure insurance coverage in all cases to pay claims related to insured risks. The Company might not be able to successfully substantiate its claim with regard to certain liabilities or losses according to the insurance policies in effect because of the exclusions or conditions of insurance coverage. This would cause the Company to be liable for paying for accident related losses, which will have a material adverse effect on the Company's business and operating and financial results.

In addition, the current insurance policies held by the Company include exceptions or limitations on insurance coverage like any other insurance policies, such as political, pollution and infectious disease risks. Furthermore, the Company's current insurance policies may be unavailable in the future. Therefore, uninsured losses may occur, or their amount may exceed the insurance coverage; thus, the losses and liabilities resulting from uncovered or insufficiently covered risks may significantly increase the costs of the Company, which may adversely and materially affect the Company's business, expectations, results of operations, financial condition and profitability.

2-1-12 Risk of Reliance on Key Suppliers

The Company depends on 17 key suppliers, the highest-value purchases from 10 of which reached 41.9% in 2017G. The Company relies on local suppliers who make up 45% of the main suppliers and external suppliers who make up 55% of the main suppliers, it may be susceptible to the risk that one or more of its existing main suppliers may discontinue their supplies to the Company. In case the Company is unable to enter into alternative arrangements in a timely manner and on favourable terms, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is generally required to procure raw materials, parts or components only from suppliers that meet the standards specified by the Company's key customers. The Company may not be in a position to select a supply of raw materials, parts and components from the most cost-effective suppliers unless they meet the applicable quality standards. The Company may fail to find alternative supply entities that commit with such standards. If the Company's suppliers fail to provide the Company with raw materials, parts or components in a timely manner due to unanticipated demand, production or distribution problems or financial distress, or if the Company's suppliers decide to terminate their relationship with the Company, or if any of the key customers determines that any raw materials, parts or components offered by an approved supplier is not in compliance with its quality standards and the Company is obligated to terminate its contract with such supplier, then the Company may face inventory shortages that could have a material adverse effect on the Company's business, financial condition and results of operations.

2-1-13 Risks of Lack of Long-term Supply Contracts

The Company does not enter into long-term supply or future contracts with any of the suppliers of raw materials, spare parts or components used in its products. However; the Company places orders in advance for the anticipated list of raw materials and spare parts for each project. Supplying all project's requirements is agreed upon according to an agreed schedule and fixed prices until the end of the project. The reason for not concluding long-term contracts with suppliers is the nature of the Company's business, which depends on time-specific purchase orders on a per-project basis.

In the absence of long-term supply contracts, the Company is vulnerable to sudden and significant increases in prices of raw materials, parts and components, which could have a material adverse effect on the Company's business, financial condition and result of operations.

2-1-14 Risks of Reliance on Major Customers

The business of the Company is primarily based on the supply of Skids and other products to its key customers, which are Saudi companies operating in the oil and gas sector and EPC contractors. The percentage of the Company's revenues from Saudi Aramco amounted to 11.7%, 24.4% and 46.5% of the Company's total revenues for 2015G, 2016G and 2017G respectively, while the Company's sales to that key customer in the oil and gas sector amounted to approximately SAR 391.8 million during 2017G.

The Company does not have long-term contracts with its key customers, EPC contractors or the companies operating in the oil and gas sector, as most of their activities are conducted through tenders and the implementation of purchase orders and short-term contracts of one to three months. Contracts are classified according to their size, nature and period of implementation. If the project's implementation period is 120 days or less and the contract value is less than SAR 1 million, then it is classified as a short-term contract; otherwise is considered long-term one. Revenue is recognized upon the acceptance of services and goods from customers according to contract conditions.

Any decline in the demand for the Company's products by its key customers, EPC contractors and the companies operating in the oil and gas sector, or the failure of such key customers, EPC contractor and the companies operating in the oil and gas sector to award tenders to the Company, would lead to decreased sales and profits, as well as lower profitability and fluctuations thereof. Furthermore, if these customers chose to divert all or a portion of their business with the Company to one or more of the Company's competitors, demanded pricing concessions for the Company's services, require the Company to provide enhanced services that increase the Company's costs, or develop their own shipping and distribution capabilities, this would have a material adverse effect on the Company's business, financial condition and results of operations.

2-1-15 Risks related to the Company's fluctuating total annual revenues due to relying on project completion percentage (purchase orders)

The contracts and purchase orders entered into by the Company with its customers include clauses relating to suspension, termination, or a reduction in scope at the option of the customer. In addition, customers have the ability to delay the execution of projects. Depending on the size of the project, termination, suspension, postponement, or change in the scope of any project could change the expected timing of revenue to be recognized, reduce purchase orders. This could have a material adverse effect on the Company's business, financial condition, results of operations and profitability.

2-1-16 Risks of Dependence on Qualified Personnel and Skilled Workers

The Company's success depends upon the continued service and performance of its senior management and other qualified personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. Competition for senior management and qualified employees in the industrial sector is intense, and the Company cannot guarantee that it will be able to retain its personnel or attract new, qualified personnel.

The Company may need to invest significant financial and human resources to attract and retain new employees. The loss of the services of members of the Company's senior management or qualified employees could prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively and efficiently. If the Company loses the ability to hire and retain key executives and employees with high levels of skills in appropriate domains, it would have a material adverse effect on the Company's business, financial condition and results of operations.

2-1-17 Client Credit Risks

Credit risk is the risk of incurring financial loss due to the non-fulfilment of the obligations of the Company's customers towards the Company. Such credit risk is mainly related to the trade accounts receivable of the Company. The Company's policy stipulates that it should grant credit terms ranging between 30 and 45 days to customers. However, collection period may reach 90 days or more. The delay in payment of the Company's fees comes in the ordinary course of business. Billing and collection of funds with respect to completed work, which is subject to comprehensive customer verification and testing operations, can be time consuming. There can be no assurance that the Company will be able to evaluate the current financial condition of customers and to accurately determine the ability of such parties to fulfil their relevant financial obligations. Should the Company not be able to accurately asses and evaluate the current financial condition of its customers, this may have a material adverse effect on the Company's business, financial condition, results of operations and prospects and future projections.

In addition, the Company offers credit lines to its customers. If, for any reason, a particular customer is unable to pay the amounts it owes to the Company, such amounts will have to be considered as bad debt.

Furthermore, a significant number of customers of the Company could experience difficult financial conditions, and the Company may fail to analyse the credit risk of such customers. Any decrease in the overall solvency of the customers of the Company may have a material adverse effect on the Company's business, financial condition, results of operations and prospects and future projections.

2-1-18 Risks related to Obtaining, Expiration or Non-renewal of the Company's Licenses

The Company is required to obtain and maintain the necessary regulatory permits, licenses and approvals for its activities. The Company currently maintains a number of licenses, permits and approvals related to the operation of its business including, but not limited to, commercial registration certificates for the Company issued by the Ministry of Commerce and Investment, municipality licenses issued by the Ministry of Municipal and Rural Affairs, Saudization certificates, Zakat certificates, and civil defence licenses. In addition, the Company's licenses are subject to conditions whereby the licenses might be suspended or terminated if the Company fails to comply with the underlying conditions (for more information, please review Section (8.3) "Approvals, Licenses and Certifications"). Moreover, when seeking to renew or amend the scope of a license, there is no guarantee that the concerned authority will renew or amend the license or that, if it does renew the license, no conditions will be imposed which might adversely affect the Company's business, financial condition, results of operations and future projections.

It should be noted that the Company has not obtained two municipality licenses and civil defence licenses for each of the Company's warehouses in Jubail, where storage accounts for 20% of total storage and the Company's branch, Alkhalijiah Industrial Training Institute. The Company's failure to obtain civil defence licenses for one of its branches or not renewing the expired civil defence license may expose the Company to a fine of up to SAR 30,000 or suspension of some of its activities. In addition, the Company's failure to obtain municipality licenses for one of its branches may expose the Company to pay a fine ranging between SAR (1,000) and (5,000).

Moreover, one municipality license for its Khobar branch expired on 01/02/1437H (corresponding to13/11/2015 G) and the Company is in the process of renewing it upon the completion of civil defence works in Khobar branch building. Non-renewal of the municipality license may expose the Company to pay a fine ranging between SAR (200) and (500).

If the Company fails to renew a license or obtain the necessary licenses for its business, or if any of its licenses expired or suspended, or if any of the licenses are renewed under unfavourable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business in whole or in part, which would interrupt the Company's operations and cause the Company to incur additional costs, as well as have a material adverse effect on the Company's business, financial condition and results of operations.

2-1-19 Brand Protection and Technical Expertise

The Company depends on technical know-how and trade secrets that it has developed to integrate, manufacture and expand the technical capabilities of its products. Significantly, the basic processes that are critical to the manufacture of the Company's products are not patentable because they are common technologies. Instead, the Company has differentiated itself from its competitors by using its integration and manufacturing techniques. The trade experience that is acquired by the Company, its employees and consultants is critical to the Company's business. The Company cannot guarantee that its employees and consultants will not reveal such experience or convey other confidential information to competitors. The Company does not guarantee that it will have the suitable or fair compensation for damages resulting in incurring losses that will materially and adversely affect the Company's business, financial condition and results of operation.

Furthermore, third parties (including competitors) may independently develop manufacturing techniques or methods that are equal or superior to the Company's, or competitors may assert that the Company's methods infringe on their intellectual property rights. If any of the Company's methods and techniques are found to infringe upon the intellectual property rights of others, a court could require the Company to pay substantial damages. The Company could also incur substantial litigation defence costs. Any failure to protect, or violation of, the Company's know-how and trade secrets or claims of infringement on third party intellectual property rights could have a material adverse effect on the Company's business, financial condition and its business prospects.

In addition, the Company registered its trademark (GSW) with the Ministry of Trade and Investment in Shaaban 1438H and obtained a final approval. However, any breach or unauthorized use of the Company's intellectual property rights, in the event that any person objects to the registration of such trademark, will harm the Company's operations, financial conditions and results of operations.

2-1-20 Risks of Reliance on Technical Support and Design Arrangements

The Company relies on technical support and design arrangements with Pan Gulf Technologies, a subsidiary of Pan Gulf Industrial Investment Company and Pan Gulf Holding Company, in India to develop and assemble its products according to an arrangement of 5 years starting from 01/04/2017G. Therefore, any change in the relationship of the Company with Pan Gulf Technologies will result in a delay by the Company in providing the desired designs for the Company's products to satisfy the requirements and needs of its customers, which would lead to a delay in the production of its products, as well as the Company's failure to meet its obligations towards its customers in a timely manner. This would have a material adverse effect on the Company's business, financial condition and results of operations.

2-1-21 Accidents and Injuries Resulting from the Company's Operations

In conducting its business, the Company is exposed to a number of risks related to accidents involving the fabrication of products, use of heavy-duty equipment, drilling, cutting and welding. If any technical or human error or negligence occurs in relation to the operations of the Company, such faults could cause serious injury or loss of life, property or equipment. If the Company is found to be liable for such faults, whether intentionally or unintentionally, then this might lead to legal proceedings, the suspension of the Company's business, withdrawal of the licenses issued by the relevant authorities or actions filed against the Company, which could result in the payment of financial compensation that might not be fully covered by insurance (see Section 2.1.11 "Sufficiency of Insurance Coverage"). This would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

2-1-22 Emergence of New Technologies

Technologies are continuously being developed that have the potential to impact the level of competition in the steel fabrication and integration industry. Therefore, it is possible that in the future, new technologies will be developed and existing technologies improved. It is possible that key customers will change their adopted technologies and technical specifications. As a result, the Company could implement changes to its product specifications to satisfy its key customers' needs.

If any of the key customers makes fundamental changes to its required specifications, and the Company is unable to implement or achieve them, this would render the fabrication and integration technologies used currently by the Company unusable. The development of new technologies would require investment in new machinery and equipment to ensure that the Company remains able to take advantage of technological advancements. If the Company is unable to invest as required, this would materially and adversely affect the Company's business, financial condition and results of operations.

2-1-23 Litigation Risk

The Company may be at risk of litigation from many parties, including customers, suppliers and lessors, or government bodies supervising and organizing the Company's business such as the civil defence department, municipalities and secretariats. It should be noted that the Company is not a party in any current claims. However, it was a party in a previous claims (See Section (8.9) "Litigation").

The Company cannot predict the outcomes of any future action, investigation or lawsuit that may arise with any party with whom it deals. Therefore, the Company cannot guarantee the magnitude of litigation costs that may be incurred with respect to the fines that may be inflicted thereon by the regulatory bodies. If the Company is subject to litigation or large fines, this could have a material and adverse effect on the results of operations and financial condition of the Company.

2-1-24 Related Party Transactions

In certain aspects of its operations, the Company currently relies on certain agreements concluded with related parties on a commercial basis, including the purchase of raw materials, machinery, equipment and services from Pan Gulf for Welding Systems, Pan Gulf Piping Systems, Pan Gulf Building Materials and other companies. Furthermore, related party transactions entered into by the Company has been approved during the Ordinary General Assembly dated 02/02/1439H (corresponding to 22/10/2017G). (See Section (8.7) "Transactions with Related Parties"). Revenue from these agreements amounted to SAR 3.6 million in 2017, which constituted 0.4% of total revenues, while the costs incurred as a result of these agreements amounted to SAR 61.2 million in the same year, which accounted for 9% of the total costs (For further details, please refer to Section 12 ("Legal Information")).

There can be no assurance that these contracts with Related Parties will be renewed after they expire on equally favourable terms to the Company, or at all, because the terms of such arrangements depend in part on certain approvals of the Board and the General Assembly of the Company and the relevant Pan Gulf Group Company, which are not obligated to act in the best interests of the Company or its minority shareholders from the public. Any termination or failure to renew these related party arrangements could have a material adverse effect on the Company's business, future prospects, results of operations or financial position.

2-1-25 Risks relating to financing

The Company has entered into short-term facility agreements renewed annually with the consent of the two parties, with Alawwal Bank ("Alawwal"), Samba Financial Group ("SFG"), Al Rajhi Bank ("ARB"), National Commercial Bank ("NCB"), Banque Saudi Fransi ("BSF"), Bank Aljazira ("Aljazira"), and long-term facility agreements with Alinma Bank ("Alinma") to finance its business.

The aforementioned facility agreements include conditions that require the Company to obtain the prior approval of such banks in case of a change in the Company's ownership structure, legal entity, share capital or shareholders. The Company is yet to obtain the consent of these banks with respect to the changes expected to be made to the Company's ownership and legal form after completing the Offering.

The facility agreements contain conditions which solely favour the banks. For example, some facility agreements entitle the relevant bank to unilaterally terminate its respective facilities or unilaterally change all or certain of the terms and conditions of its respective facilities made available to the Company. The Company's business, results of operations and financial condition would be adversely and materially affected if a bank decides to exercise any of these rights.

In addition, under some facility agreements, the Company must comply with various financial covenants such as covenants of trading, debt, liquidity, leverage, total debt to property rights and coverage ratios. The facility agreement with SFG also contains restrictions in relation to issuance of further shares, except for a partner who owns shares in the Company on the date of the conclusion of the agreement. It should be noted that Samba Financial Group was informed by the Company that it intends to offer its shares on the parallel market and the Company has received a letter of approval of the offering from the bank.

If the Company fails to pay an outstanding amount or breaches any of its obligations under the respective facilities agreements, the relevant bank has the right to demand that all obligations of the Company to be immediately due and payable and could seize the Company's assets. In addition, if any bank announces that its debt is due and payable, it is likely that the rest of the banks will demand repayment of their debt immediately. In such an event, the Company may not be able to obtain alternative sources of financing to repay such debts. It is worth mentioning that any of these factors would have a material adverse effect on the Company's business, results of operations, financial condition or future prospects.

2-1-26 Risks of Potential Financial Obligations

The value of contingent obligations and expenses reached SAR 213.0 million on 31 March 2017G. Contingent obligations and expenses include letters of guarantee valued at SAR 122.5 million obtained by the banks in 2017G in the ordinary course of business, particularly in relation to bid bonds and performance bonds. The obligations also include letters of credit received by the Company to serve as guarantees for foreign suppliers amounting to SAR 91.8 million as of 31 March 2017G, as well as obligations for operating leases of SAR 0.8 million related to real estate leases. If the Company is unable to pay its obligations by the due date, this would have a material and negative effect on the Company's business, results of operations, financial condition or future prospects.

2-1-27 Reliance on Guarantees

The Company's obligations under the facility agreements are secured by personal guarantees (guarantees provided by Fahad Mohammed Ibrahim Bin Saja and Khalid Abdulaziz AlHamdan to Alawwal, ARB, SFG, Alinma and NCB), in addition to the guarantees of the shareholders of the Company, namely Pan Gulf Industrial Investment Company and Pan Gulf Holding Company. None of the banks has waived these personal guarantees as of the date of this Prospectus. The Company, after the Offering, intends to transfer such guarantees on behalf of the Company. If the banks demand additional guarantees and the Company is unable to provide them, this would affect the approval of the banks to provide other facilities to the Company and therefore would have an adverse effect on the Company's business, future prospects, results of operations or financial condition.

If any of the shareholders withdraws or does not renew its guarantees, or if such guarantees expire for any reason, this will be deemed a breach by the Company of its contractual obligations, which would cause the Company's lenders to demand immediate repayment of the debt. In such a case, there is no guarantee that the Company will be able to obtain sufficient alternative sources of financing to repay these debts. In addition, there is no guarantee that the individual or corporate guarantors will continue to provide guarantees after the Offering, which would affect the Company's ability to secure necessary credit facilities in the future. Any such factors would have an adverse and material effect on the Company's business, future prospects, results of operations or financial condition or share price.

2-1-28 Risks of related to Joint Facility Agreements

The Company has entered into facility agreements with Samba Financial Group in June, 2017G with a total amount of SAR 65 million and with Al Awwal Bank in 26 May, 2016G with a total amount of SAR 279.284 million. The SAR 24.3 million of the Samba Financial Group Facility is utilized by an affiliate of the Company, and the SAR 9.1 Million of the Al Awwal Bank facility is utilized by another affiliate of the Company. It is worth mentioning that these facility agreements do not obligate the Company to share such facilities with its affiliates; instead, they include restrictions on changes in control, ownership and legal status of the Company. The Company received letters of approval from Al Awwal Bank and Samba Financial Group. Guarantees have been provided by Fahad Mohammed Ibrahim Bin Saja and Khalid Abdulaziz Mohammed AlHamdan to Al Awwal Bank and Samba Financial Group. The Company will work with the bank to transfer the personal guarantees under the Company's name after listing. Despite the commitment of Pan Gulf Industrial Investment Company under an agreement with the Company to pay the amount owed by the two affiliates, any delay or failure by Pan Gulf Industrial Investment Company to repay any portion of the amounts due to these banks could result in a breach by the Company of its obligations under the Samba Group or Al Awwal Bank banking facilities and an obligation of the Company to repay such amounts on behalf of Pan Gulf Industrial Investment Company. This in turn would have an adverse and material effect on the Company's business, future prospects, results of operations or financial condition or share price.

2-1-29 Risks related to Implementing the Expansion and Growth Strategy

The Company's performance in the future depends on effective execution of business plans and growth strategies, which include manufacturing new products that would expand the range of products manufactured by the Company. The ability of the Company to manage business expansion in the future relies on its ability to continue the efficient and timely execution and improvement of operational, financial, and administrative information systems and its capability to increase, train, encourage and manage its qualified workforce. Failure by the Company to execute the business plans and growth strategies could adversely and materially affect the Company's business and financial condition.

2-1-30 Expertise in Managing a Joint Stock Company

Since its inception, the Company has been managed as a private company. Therefore, its Senior Management has no experience in managing a listed joint stock company, particularly in connection with compliance with the laws and regulations of joint stock companies listed in the Parallel Market. In particular, senior management personnel must exert additional efforts to ensure the Company's compliance with the regulatory rules and regulations related to disclosure as imposed on companies listed on the Exchange. If the Senior Management do not comply with these requirements, this will have an adverse and material effect on the Company's business, financial condition and results of operations.

2-1-31 Risks of Newly Adopted Corporate Governance Manual

The Company's Extraordinary General Assembly has recently adopted its Corporate Governance Manual containing the new rules and procedures with which it is required to comply pursuant to the Corporate Governance Regulations issued by the Capital Market Authority and the governance requirements provided in the Companies Law. These rules and procedures include the formation of the Audit Committee and the Nomination and Remuneration Committee, both of which have been recently established in accordance with the Corporate Governance Regulations. With respect to the Company's compliance with the Corporate Governance Regulations, the Company is in compliance with most of the mandatory articles of the Corporate Governance Regulations. The Company's success in the proper implementation of the Corporate Governance Manual will depend on the extent of understanding and proper execution of these rules by the

Board of Directors, its Committees and the Company's employees, in particular with respect to the formation of the Board of Directors and its Committees, independence requirements, the Board of Directors' and Committees' ability to fulfil their roles and responsibilities, rules related to conflicts of interest and related parties, and continuous disclosure.

While the Corporate Governance Regulations are currently regarded as guidance for companies listed in the Parallel Market, the Capital Market Authority may in the future require such companies to comply with these regulations. The Company's failure to comply with the Corporate Governance Manual, particularly to the extent required by the Corporate Governance Regulations, would affect the quality of the Company's management and decision-making process. The Company's failure to comply with these rules would also result in the violation of continuing obligations provided for under the Capital Market Law and its implementing regulations post-listing, which could subject the Company to penalties by the Capital Market Authority. Accordingly, failure of the Company to comply with the Corporate Governance Manual would have a material adverse effect on the Company's business, results of operations, financial condition, and future prospects.

2-1-32 Risks of The Newly Formed Board Committees

On 05/08/1438H (corresponding to 01/05/2017G), the Board of Directors of the Company has formed the Audit Committee and the Nomination and Remuneration Committee to carry out the specific respective duties and responsibilities required of each of them as approved by the Ordinary General Assembly held on 18/10/1438 H (12/07/2017G), and in compliance with the Corporate Governance Regulations issued by the Authority (for further details, see Section (5-5) of this Prospectus "Information on Board Committees").

Since those Committees have only been formed recently and in light of the introduction of the Company's internal corporate governance, any inability of the Committees' members to undertake the responsibilities assigned to them and to adopt a work methodology that protects the interests of the Company and its shareholders will affect the implementation of the Company's internal corporate governance and the Company's Board of Directors control over the Company's business management through such Committees effectively, which may lead to the Company becoming non-compliant with the continuous disclosure requirements after listing in the Parallel Market on one hand, and operational, management and financial risks on the other hand. Therefore, this would have an adverse and material impact on the Company's business, future prospects, financial position and results of operation.

2-1-33 Risks of Management Decisions

The results of the Company's business are based mainly on the ability of its Management to make the right and appropriate decisions regarding its business and activities. If the Company's Management makes the wrong decisions with respect to its business, this will negatively affect the Company's business, results of operations, financial condition and future prospects.

2-1-34 Risks of Shifting to International Financial Reporting Standards

Implementation of international financial reporting standards (IFRS) for thepublicly listed companies on the Parallel Market will be mandatory as of 01/01/2018, and the Company will therefore be required to take the necessary actions, which may affect its business plan or be time-consuming. If the Company does not comply with the transition plan and its requirements, it will incur costs, fines and penalties that will have a material adverse impact on its operations, future prospects, financial position and results of operations.

2-1-35 Risks of Non-Compliance with Lease Terms

On 02/08/1402H (corresponding to 15/05/1982G), the Company entered into a lease with the Royal Commission for Jubail and Yanbu, whereby the Company's factory located in Jubail was leased for ten Hijri years to be renewable by consent of both parties. The Company will pay the Royal Commission an annual rent of five hundred and eighty-one thousand, eight hundred and thirty-five Saudi riyals and fifteen halalas (SAR 581,835.15). The factory lease contract includes an item that requires the Company to obtain and maintain a third-party insurance policy throughout the contract. The policy must include the Royal Commission for Jubail and Yanbu as an insured party. Although the Company maintains comprehensive liability policies and third-party liability insurance policies covering the risks to which the factory may be exposed, the Company has not complied with this provision, as these policies do not refer to the Royal Commission for Jubail and Yanbu as an insured party, which gives the Royal Commission for Jubail and Yanbu the right to terminate the contract, which would force the Company to change the leased premises. If the contract is terminated due to default, the Company will be required to return the property to its original condition and remove the existing facilities within ninety (90) days from the date of termination. If the Company does not do so, the Royal Commission will acquire or remove the property in the manner it deems fit, and the Company will incur all costs required to return the property to its original condition. This change would have an adverse material impact on the Company's operations, future projections, financial position and results of operations.

2-1-36 Risks related to Unbilled Revenue

Revenue from long-term contracts is recognized at a percentage of completion basis determined by using the percentage of costs incurred to date compared with the total estimated costs of completion for each project. The Company releases invoices to its customers based on the percentage of business approved and accepted by the customers. The Company's recognized revenue (costs incurred to date) which exceed the revenues invoiced to customers, (unbilled revenue), is revenue related to work carried out in projects, which have not been invoiced to the customers.

Pending unbilled revenues as of 31 March 2017 amounted to SAR 313 million, representing 37.1% of total revenues recorded in 2017. On 31 March 2017, 78% of unbilled amounts were related to completed projects with Saudi Aramco because of the payment terms contained in the contract, which only allow payment on final delivery.

If, for any reason, the Company fails to invoice and collect the amounts recorded thereby as unbilled revenues, it will have to consider these amounts as uncollectable debts, which would have a material adverse effect on the Company's operations, future prospects, financial position and results of operations.

2-1-37 Risks related to the Absence of Provisions for Unbilled Revenue

The Company has no aged balance that has not been invoiced. Therefore, there are no existing provisions for unearned unbilled revenues as of 31 March 2017G. However, the Company has determined that there is a need to create a provision of SAR 1 million against certain unbilled revenues that are doubtful. This allocation will be presented in the subsequent period of 2017G.

If, for any reason, the Company fails to invoice and collect the amounts recorded thereby as unbilled revenues, it will have to consider these amounts as uncollectable debts, which would have a material adverse effect on the Company's operations, future prospects, financial position and results of operations.

2-2 Risks Related to the Market and Sector

2-2-1 Relying on investing in oil, gas, infrastructure, petrochemicals, water and energy sectors

The Company is particularly dependent upon the level of investment in oil and gas, infrastructure, petrochemicals, water and power projects. For example, on 31 March 2017, the Company's total sales were attributable to oil and gas, infrastructure, petrochemicals, water and power projects, a significant portion of which was directly or indirectly driven by investments in these markets. The level of investment in these projects depends upon a variety of factors, including general market conditions, availability of funds for investment, political priorities and governmental allocation of public funds, monetary and other governmental policies, environmental regulations, macroeconomic development and political stability, all of which are beyond the Company's control. These factors can have an adverse impact on the ability and willingness of investors to fund projects. If governments or other end-users become unwilling or unable to fund significant new projects or change their priorities from the types of projects that require the Company's products, this would have a material adverse effect on the Company's business, results of operations, financial condition or prospects.

2-2-2 Removal of Subsidies of Energy Products in The Kingdom

The Company's operations rely on fuel, water and electricity, and a large portion of production costs consists of energy products. Energy products costs for the fiscal year ended in March 2017G were estimated at four million riyals (SAR 4,000,000) representing 5% of total production costs. In light of the drop in oil prices and the resulting deficit in the Kingdom's budget, the Saudi Council of Ministers issued a resolution to remove subsidies from energy products (including fuel), water and electricity, and using sanitation services tariffs for residential, commercial and industrial sectors as part of the Kingdom's policies aimed at supporting government subsidies. This price increase, as well as any other potential increases, will lead to additional costs that will be incurred by the Company, and will have a material adverse effect on the Company's business, future prospects, results of operations and financial condition.

2-2-3 Risks of Changes to the Regulatory Environment

The Company is subject to many regulations in the Kingdom, including customs laws, import and export control laws and related laws and regulations. These laws and regulations impose restrictions on the Company in terms of the countries and persons with whom the Company can enter into transactions, the products it can produce and deal with, and the terms and conditions under which the Company operates. The Company is also subject to anti-trust laws and environmental laws that regulate the work of manufacturers in general and regulate the process of importing, promoting and selling the Company's products. In the event that any of these laws or regulations are changed or if they are not complied with by the Company, its employees or suppliers, the Company may face delays in the importation and manufacture of raw materials, and will be subject to fines or penalties or face damages to its reputation. This would negatively affect its competitive

position and reduce demand for its products, which would have a material adverse effect on the Company's businesses, future prospects, results of operations and financial condition.

In addition, legal and regulatory requirements are constantly changing and the Company cannot predict the ultimate cost of meeting these requirements or the effect of those requirements on the Company's operations. This may require the Company to incur significant expenses or modify its business practices to comply with existing or future laws and regulations. This will increase the costs incurred by the Company and materially restrict the Company's ability to conduct its business, which would have a material adverse effect on the Company's business, future prospects, results of operations and financial condition.

2-2-4 Competitive Environment

The manufacturing industry is highly competitive and influenced by events largely outside of the Company's control. Contracts for the Company's services are generally awarded on a competitive bid basis, and customers consider many factors when a contract is awarded.

The Company has a number of competitors, and any of the competitors might: (a) foresee the course of market development more accurately than the Company; (b) provide quality or specialized services; (c) develop stronger relationships with customers; (d) adapt more quickly to advanced technology or change in customer requirements; (e) develop a network of branches superior to that of the Company; or (f) obtain financing on terms more favourable than those available to the Company. As a result, it might sometimes be difficult for the Company to successfully compete with its competitors. (for more information, see Sections (3.3.3), (3.4.3), (3.5.3) and (3.6.3), "Competitive Environment").

In addition, the competitive pricing policies adopted by the Company's competitors might affect the Company's ability to compete, leading to material adverse effects on the Company's business, results of operations, financial condition or future prospects.

Therefore, there is no guarantee that the Company will be able to effectively compete with present and future competitors, and the competitive environment may adversely and materially affect the Company's business, future business prospects, results of operations and financial condition.

2-2-5 Compliance with Environmental, Health, Safety and other Regulations

The Company's operations are subject to the health, safety and security laws under the purview of the Civil Defence Department, the Ministry of Commerce and Investment, the Ministry of Labour and its offices, and various municipalities in the governorates in which the Company carries out its business.

If the Company fails to comply with all applicable laws and regulations, it may negatively affect its reputation and its business results. The Company cannot guarantee that its internal control policies and procedures and codes of conduct will always protect it from acts committed by its employees or agents. Any regulatory actions, including a recall, regulatory or other governmental investigation, or product liability or other litigation could have a material adverse effect on the Company's business, financial condition and results of operations.

New or revised laws or regulations may also alter the environment in which the Company conducts its business, which could have a material adverse effect on the Company's business, financial condition and results of operations. For example, new legislation or regulations may result in higher costs to be incurred by the Company directly with respect to compliance or indirectly to the extent that suppliers increase the prices of goods and services because of increased compliance costs, indirect taxes or reduced availability of raw materials.

While it is the Company's policy to comply with all legal and regulatory requirements applicable to the Company's business, a finding that the Company is in violation of, or out of compliance with, applicable laws or regulations could subject the Company to civil remedies, including fines, damages, injunctions or product recalls, or criminal sanctions, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Even if a claim is unsuccessful, is without merit or is not fully pursued, the negative publicity surrounding such assertions regarding the Company's products, operations or business practices could adversely affect the Company's business, financial condition and results of operations.

2-2-6 Political and Economic Risks

The Company's performance depends on the prevailing economic conditions in Saudi Arabia and on global economic conditions that affect the Saudi economy. Despite the growth of the Saudi economy in other sectors, the Saudi economy and governmental spending are still dependent on the price of oil and gas in global markets. Therefore, any drop in the prices of oil and gas could lead to a substantial slowdown or depression in the Saudi economy or in government spending plans.

The rise in global steel production and, therefore, its lower prices, have a positive impact on the Company, which will lead to a decline in the value of raw materials. Saudi Arabia is also facing the challenge of relatively high levels of population growth and unemployment amongst Saudi youth. All such conditions could have an adverse effect on the Saudi Arabian

economy, which in turn would have a material adverse effect on the Company's business, financial condition, results of operations or future prospects.

Moreover, imposition of any additional taxes and levies in the Kingdom or the GCC, such as the Value Added Tax ("VAT"), which is expected to reach 5% (also known as the Goods and Services Tax ("GST")) and will be imposed by specific sectors within the Kingdom, including the industrial sector in which the Company operates, would have a material adverse effect on the Company's business, financial condition, results of operations or future prospects.

There is no guarantee that any unexpected major changes in the political, economic or legal conditions in the Kingdom or other countries will not have a material adverse effect on the Company's business, future prospects, results of operations and financial condition.

2-2-7 Risks Related to Currency Exchange Rates

The Company currently conducts its transactions primarily in US dollars and Saudi riyals with non-local suppliers from India, China, Britain, South Korea, the Netherlands, Italy, Germany, Singapore, Malaysia and the USA. However, in the future, the currencies in which the Company conducts transactions with suppliers might change, and the Company must then purchase goods in currencies other than US dollars or currencies which are not pegged thereto. The exchange rates of such currencies may change according to regional or global developments, which may cause the cost of the Company's purchases to increase. However, the need to hedge against the risk of currency fluctuations is examined at each cash transaction in currencies other than the US dollar. In the current situation and due to the stability of the Saudi riyal exchange rate, the Company does not see the need to hedge against the risk of exchange rate fluctuations.

The Company's purchases might be directly affected by local currency exchange rate in the countries of the exporters with whom the Company conducts business in US dollars, such as China, which would cause the cost of such purchases to increase. If the Company fails to reflect the rise in purchase costs on its products' sale price, then this may adversely affect the Company's business, future prospects, results of operations and financial condition.

2-2-8 Risks related to Fluctuations in Interest Rates

The Company has a number of short-term facilities with Alawal Bank, SAMBA, Al Rajhi, NCB, BSF and long-term facility agreements with Alinma Bank that are renewed annually, but which may be subject to change due to interest rate fluctuations. Any adverse change in interest rates may adversely and materially affect the Company's businesses, future prospects, results of operations and financial condition.

2-2-9 Saudization

The Ministry of Labour requires all companies operating in the Kingdom to comply with the Saudization requirements, which require a certain number of Saudi employees to be appointed and retained. Saudization requirements vary depending on each company's business.

As of 31 March 2017, the percentage of Saudi employees at the Company was 22.3% of the Company's total labour force. The Company has been classified within the Platinum category. However, there is no assurance that the Company will be able to maintain its present Saudization percentage. The Company's classification could be reduced to the yellow or red category, in which case the Company will be subject to sanctions imposed by the Ministry of Labour.

Moreover, the Ministry of Labour has taken measures to regulate the employment of non-Saudi workers in the Kingdom pursuant to the Kingdom's Labour Law and Residency Law. In case the Company has expatriate workers who do not work for the Company or the nature of their work is not consistent with their job requirements (as stated in the work permit), the government can take action against expatriate workers. There is no assurance that the Company will be able to provide the necessary manpower or employ the required number of expatriate workers under conditions favourable to the Company and without incurring additional costs. The Company may also face challenges in retaining its Saudi employees. If the number of employees in this category drops, the total Saudization percentage will drop, which would have a material adverse effect on the Company's business, future prospects, results of operations and financial condition.

2-3 Risks related to the Shares

2-3-1 Risks related to Liquidity and Potential Fluctuations in Share Price

Subscribers may not be able to re-sell their shares at the same Offer Price or at a higher price, or may not be able to sell them at all, as the market price of the Offer Shares after the Offering may be adversely affected by factors beyond the Company's control, including, for example, changes in the results of the Company's operations, market conditions or changes in government or environmental regulations or systems as a whole. These factors mentioned by way of example and others would have an adverse effect on the Share price in the market.

2-3-2 Effective Control by the Selling Shareholders

Upon completion of the Offering, the Selling Shareholders will jointly hold at least 70% of the Company's capital and, as a result, they will be able to influence all matters and decisions requiring the Shareholders' approval. The Selling Shareholders may use this ability to exercise influence, which will have a significant impact on the Company's business, financial condition and results of operations, including the election of the Board of Directors, approval and authentication of the Company's significant contracts and operations, and amendments to the Company's capital and items of By-laws. Furthermore, any change in the business strategy and policy by the Selling Shareholders towards the Company could lead to unexpected results on the Company's activity, which would have a material adverse effect on the Company's business, financial position and operating results.

2-3-3 Risks related to the Absence of a Prior Market for the Company's Shares

As of the date of this Prospectus, there is no public market for trading the Company's shares. No assurance can be given as to the development of an active and continuous stock trading market after this Offering. The Offer Price may not indicate the market price of the shares after the date of this Offering. Moreover, the price of shares may be affected by many fluctuations after the date of this Offering as a result of:

- Differences in the operational results and performance of the Company's business;
- Regulatory developments in the market targeted by the Company, which would have an influence on the Company, its customers or competitors;
- Changes in financial estimates by securities analysts;
- Increase or decrease in the number of directors, senior management or key employees;
- Performance of the Global and Saudi economy;
- Significant developments in the economic policies of the Kingdom;
- Fluctuations in the local and global stock exchanges; and
- Changes in the regulatory, legal and economic factors (at the local and global level) unrelated to the Company's performance, such as economic recession and imposition of restrictions on trading, sanctions and other factors.

Many factors mentioned above are beyond the control of the Company and fluctuations in the share prices resulting from such factors will adversely affect the Company's financial results, prospects and investment decisions of subscribers.

2-3-4 Risks Related to Dividend Distribution

The future distribution of profits depends on several factors including, but not limited to, future profits, financial condition, capital requirements, distributable reserves, general economic conditions and other related factors which the Board of Directors may deem important from time to time, and may decide upon if any recommendation to the General Assembly of Shareholders is made to distribute profits in the future. The Company makes no guarantee at all that the Shareholders of the General Assembly will approve the recommendation of the Board of Directors to distribute any dividends and provides no assurance as to the value of amounts to be paid in any given year.

2-3-5 Risks of Offering Additional Shares for Capital Increase

The Company may need, from time to time, to raise its share capital based on its business requirements. The following are some factors requiring the Company to raise its share capital:

- Expansion of the Company's activities in a manner that exceeds its budget;
- Imposition of additional capital requirements as a result of new laws and regulations; and
- Spending current share capital increasingly due to unexpected operational losses.

The Company may not be able to increase its capital at a time of need in a way that best serves its interest or the interests of the current Shareholders, which will have a material adverse effect on the Company's business prospects, results of its operations and financial position.

2-3-6 Risks Related to Selling and Offering New Shares in the Future

Selling a substantial number of the Company's Shares in the Parallel Market following the completion of the Offering, or the perception that such sales will occur, could adversely affect the market price of the Shares.

The persons whose names are included in the Prospectus as the Selling Shareholders as indicated on page (28), after completion of the Offering, may not dispose of any of their Shares during the Lock-up Period totalling twelve (12) months from the date of commencement of the trading of shares in the parallel market. The Selling Shareholders (except Pan Gulf Industrial Investment Company Limited "the Substantial Shareholder") may dispose any of its Shares after the twelve (12)

months without obtaining prior approval from CMA. In addition to such period, the Substantial Shareholder will undertake not to dispose of its shares for (12) months after the end of the Lock-up Period. The sale by the Substantial Shareholder of a large number of its shares after the end of the period of (24) months may adversely affect the share price in the market and consequently reduce their price.

If the Company decides to increase its capital in the future by issuing new shares, the issuance of these new shares will lead to a decline in the value of the Shares in the market. If Selling Shareholders decide to sell a large number of Shares after the end of the period of 24 months, this will decrease the price of Shares as well, which would adversely affect the Company's business prospects, results of operations and financial position.

3. Market Overview

The information for this section "Market Overview" is based on the report prepared exclusively for the Company by Frost and Sullivan International Inc. ("FandS"). FandS was established in New York in 1961 as a strategy consulting services provider.

The Market Consultant has given its written consent to use its name, information and market research in the format and wording provided in this Prospectus. The Market Consultant believes that the information and data provided in this Prospectus from other sources, including those provided by FandS, are credible. However, this information was not independently verified by the Company, its Board Members, its shareholders or consultants, so they assume no liability for the accuracy or completeness of this information.

All data up to 2016G has been extracted from the report of Market Consultant.

3-1 Macro-Economic Environment

3-1-1 Overview

The economy of Kingdom of Saudi Arabia, the largest economy in MENA, continues to remain heavily dependent on the oil sector with 18% of the world's proven petroleum reserves, the Kingdom is its largest exporter in the world and second largest global producer of oil.

Despite a rise in oil production and a slight strengthening of international oil prices, domestic economic conditions have not been favourable to growth. The Saudi economy witnessed a slow growth at an actual rate of 1.4% in 2016. Falling oil revenue prompted the government to cut subsidies on energy and water as well as public spending resulting in a sharp decline in economic activity and spending in the country.

Table 6: KSA Key Economic Indicators

Description	2012	2013	2014	2015	2016
Population (million)	29.2	30.0	30.8	31.4	31.7
Nominal GDP (SAR billion)	2,760	2,800	2,836	2,444	2,399
Real GDP growth (%)	5.4	2.7	3.7	4.1	1.4
GDP per capita (SAR)	95,524	94,594	93,615	78,809	75,569
Inflation (% Change)	2.9	3.5	2.7	2.2	3.5

Source: International Monetary Fund (IMF), General Authority for Statistics (CDSI), Saudi Arabian Monetary Agency (SAMA)

Looking ahead, as the pace of fiscal consolidation eases, the Saudi economy is expected to grow at an average real rate of 2.1 percent during 2016G- 2021G. In view of recent transformation programs and initiatives, the Saudi economy has the potential to transform into a globally productive and competitive economy with expertise in various sectors. This productivity-led transformation and a competitive business environment could enable the Kingdom to double its GDP and remain the dominant economy in MENA.[1]

In 2016G, it is estimated that mining and quarrying continued to remain the largest sector at 28 percent contribution to KSA GDP, however it was followed by finance, insurance, real estate and business services at 17 percent and the manufacturing sector at 16 percent contribution to KSA's GDP. Simultaneously, multiple sectors including wholesale and retail trade, restaurants and hotels, construction, and transport, storage and communication all gained in 2016G.

3-1-2 Analysis of Saudi Vision 2030

The Saudi Vision 2030 was approved in April 2016. The larger objective of the Saudi Vision 2030 is to transform the country from a relatively closed economy led by public spending and the oil sector to an open diversified economy with the private sector playing a key role in economic growth.

The GDP is expected to increase from about SAR 2.43 trillion to SAR 3.75 trillion to become the only trillion-dollar economy in MENA and one of the 15 largest economies in the world by 2030. The share of the non-oil exports is expected to triple from the current 16 percent to 50 percent of non-oil GDP. In terms of fiscal targets, the aim is to increase non-oil government revenue over six-fold from SR 163 billion to SR 1 Trillion in a span of 15 years. This transformation of the economy coupled with greater share of reserved jobs for Saudi nationals under 'Saudization' is expected to lower the unemployment rate from the current 11.6 percent to 7 percent by 2030.

1 http://www.mckinsey.com/global-themes/employment-and-growth/moving-saudi-arabias-economy-beyond-oil source: McKinsey & Co.

Energy: The target is to localize 75 percent of oil and gas production in the Kingdom, currently at 40 percent, and create a renewable energy sector comprising nuclear, solar and natural gas. Vision 2030 envisages the doubling of domestic gas production by 2030 as well as the creation of a new city dedicated to energy. Domestic focus is on the creation of a national gas distribution network. Looking ahead, a local renewable energy sector will cater to rising domestic demand, while oil sector will focus on exports. Vision 2030 targets to produce 9.5 Gigawatts of renewable energy to meet some of local demand. The King Salman Renewable Energy Initiative will focus on production of different forms of energy using local resources such as silica and petrochemicals.

As part of the National Transformation Program 2020, targets and challenges were identified in the energy, industry, and mineral resources sectors. The target is to increase the contribution of the mining sector to GDP from SAR 64 billion to SAR 97 billion. Efficiency targets include reducing water and electricity subsidies by SAR 200 billion, raising dry gas production from 12 billion to 17.8 billion standard cubic feet per day, raise oil refining capacity to 3.3 million barrels per day from 2.9 million, and increasing the share of electricity generation by strategic partners from 27 percent to 100 percent. The Ministry of Energy, Industry and Mineral Resources has been allocated a budget of SAR 2.5 billion for new initiatives for the next five years.

Manufacturing: The NTP targets to increase the number of manufacturing products with basic value add from 432 to 516 and raise industrial production from the Royal Commission for Jubail and Yanbu (RCJY) cities to 309 million tons, up from 252 million tons by 2020. The Royal Commission will spend over SAR 41.5 billion till 2020 and focus on developing new infrastructure in Yanbu Industrial City, Jubail Industrial City, Ras Al-Khair Industrial City and Jazan Economic City.

3-1-3 Analysis of In-Kingdom Total Value Add (IKTVA) Program

The In-Kingdom Total Value Add (IKTVA) Program was introduced in December 2015. IKTVA is a strategic imperative by Saudi Aramco to enable a globally competitive Saudi industrial base. Essentially, IKTVA is Saudi Aramco's flagship localization initiative, designed to drive domestic value added, with the aim of achieving 70 percent localization of all spending on goods and services and enabling the export of 30 percent of Saudi energy sector products by 2021.[2]

Apart from driving domestic added value, IKTVA prioritizes consistency and transparency to provide a level playing field for over 1000 suppliers that engage with Saudi Aramco. Saudi Aramco expects to have capital investment of SAR 1.4 trillion over the decade to 2026 with an annual average expenditure of SAR 140 billion.

Table 7: Saudi Aramco Capital Program 10-Year Forecast (2017 -2026)

	As % of the Capital Investment
Drilling	56%
Surface Facilities	35%
Unconventional Resources	9%

Source: The in-Kingdom Total Value add (IKTVA) Program

Between 2017-2026, Saudi Aramco is expected to spend SAR 439 billion in rigs operations and well services. The spend on drilling materials is expected to be around SAR 248 billion till 2026, while that on rig drilling operations and well maintenance and activation services will be SAR 197 billion and SAR 242 billion respectively during the same period.

The planned expenditures for 2017-2026 on surface facilities material is estimated to reach SAR 571 billion. Capital expenditures on surface facilities maintenance is expected to reach about SAR 151 billion 2017-2021. It will include procurement of 650,000 tons of structural steel, 19 million units of carbon steel fittings and valves, 90,000 units of control valves, 1,000 units of storage tanks, 23 million tons of carbon steel piping, 6 million units of stainless steel valves and 137,000 tons of stainless steel pipes.

Table 8: Saudi Aramco Capital Program on Surface Facilities (2017-2026), SAR billion

Products	Capital Send (SAR Bn)
Maintain Potential	151
Gas Facilities	95
Refinery and Petrochem	94
Infrastructure	81
Pipeline	40
Oil Facilities	37

2 https://www.iktva.sa/saudi-aramco-reaffirms-its-commitment-to-its-flagship-localization-initiative-iktva/

Source: McKinsey & Company

Products	Capital Send (SAR Bn)
Power	8
Renewables	4
Others	61
Total	**571**

Source: The in-Kingdom Total Value add (IKTVA) Program

3-2 Industry Overview

The overall market in which the Company operates is the steel and iron fabrication industry in which it fabricates multiple products. The Company mainly operates within four product segments i.e. skids, process equipment, fabricated steel, and site fabricated tank and maintenance.

3-2-1 Fabrication Industry in the GCC

The GCC fabrication market has been estimated at SAR 28.842 billion in 2016 and has grown steadily during 2012-2016 at a CAGR of about 6.2%; with significant growth in products like fabricated structural steel, skids and pressure valves.

Table 9: Fabrication Industry Size in the GCC, Historical (2012 – 16), SAR Bn

Year	2012A	2013A	2014A	2015A	2016A
Fabrication Industry in GCC	22.7	25.0	27.5	28.3	28.8

Source: The Market Consultant

GCC fabrication market revenue is expected to grow at a CAGR of 5.2% during 2017–2022, with KSA fabrication market consisting of 51.2% of the total GCC fabrication market. The GCC fabrication market is expected to be driven by investments in the refining/petrochemical/processing segment (due to the region's focused efforts to drive exports of value-added oil and gas products, not just crude oil) coupled with investments in onshore field development. In addition to demand from new projects, the replacement demand of fabricated products from the existing projects is also set to increase over the forecast period. Most of the refineries/well sites currently functional in GCC region were set up decades ago and require higher maintenance. Despite lower oil prices, the region still offers significant opportunities with a healthy project pipeline of over SAR 7.5 trillion, covering oil and gas, petrochemicals, power, infrastructure, etc. projects.

3-2-2 Key Demand Drivers are:

- Key end use segments (oil and gas, petrochemicals, power, etc.) for fabrication on the growth track in the Gulf countries
- Government initiatives in the GCC countries aimed at non-oil diversification of the vibrant economy to increase the scope for non-oil and gas, segments such as infrastructure, petrochemicals, industrial, etc.
- Saudi Vision 2030, National Transformation Plan (NTP) and In-Kingdom Total Value Add (IKTVA) Program to contribute to the country's growth
- Resilient economic growth prospects in the GCC; non-oil real growth projected to increase
- Localization programs to help domestic manufacturers
- The growing population and urbanization expected to increase the demand for utilities

3-3 Skids Market

3-3-1 Product Overview

With a growing need to optimize project timelines, improve their cost effectiveness, and reduce downtime due to delivery issues, skids find increasing preference among end users in GCC countries in varied end use segments, such as oil and gas, petrochemicals, power plants, chemical plants, etc.

3-3-1-1 Overview of the Skids Industry in the GCC

The GCC market for skids, such as metering skids, pump skids, etc., has grown at a CAGR of about 7.3% during 2012-2016. The KSA has largest market for skids in 2016 estimated at SAR 2.538 billion (55% market share) having grown at a CAGR of 7.8% (in terms of revenues) during 2012-2016. The market for skids fabrication in the rest of the GCC states is estimated

at approximately SAR 2.064 billion, with a slightly lower growth rate of 6.7% CAGR during 2012-2016 compared to the KSA market. Skids are preferred by EPC contractors in the GCC with a focus on efficient project execution and gaining preference across end users.

Table 10: Skids Industry Size in the GCC, Historical (2012 – 16), SAR billions

Year	2012A	2013A	2014A	2015A	2016A
Skids Industry in GCC	3.5	3.9	4.3	4.4	4.6

Source: The Market Consultant

Table 11: Skids Industry in the GCC: Application breakup by end-use segment

Year	Refineries	Oil and Gas	Petrochem	Power and Diesel	Industrial
2016	27%	23%	22%	16%	12%

3-3-1-2 Forecast Demand

The KSA and the UAE market for skids are expected to increase by 40% to 50% over the next ten years along with strong growth coming from the onshore oil and gas and the refineries end-use segment. The skids market is expected to grow at CAGR 5.7% (in terms of revenues) during 2017-2022, and the KSA skids industry is expected to grow from 55.6% to 56.8% as a total of the GCC skids market between 2017 and 2022.

There is a trend among the key end users to shift towards oil and gas processing skids from conventional methods in the GCC countries, with Aramco leading the way. Saudi Aramco is using oil processing skids for its existing and upcoming wells. The Saudi Arabian Petrochemical Company (SADAF) has completed approximately 40% of the construction of its petrochemical complex at Al Jubail in Saudi Arabia using processing skids. Similar projects executed by large EPC contractors are moving towards modularization to gain on project execution speed and productivity, based on insistence from the end clients.

3-3-2 Demand Drivers

- Saudi Aramco's planned expenditures for 2017-2026 on surface facilities material is estimated to reach SAR 571 billion. Capital expenditures (Operational Expenditure) on surface facilities maintenance is expected to reach about SAR 151 billion over 2017-2021.
- Investments in the petrochemical sector are expected to drive demand for chemical injection skids. The region continues to make significant investments in greenfield plant operations as well as brownfield efficiency gains as GCC producers explore new and often unconventional sources of feedstock to drive chemical output.
- The GCC power sector is expected to see SAR 187.5 billion of investment in new power generating capacity. The GCC alone will add 76.8 gigawatts (GW) of capacity for power generation between 2016 and 2020.
- Growing industrial activity is supporting the demand as chemical injection skids are becoming an integral part of various commercial and industrial sectors.

3-3-3 Competitive Environment

Table 12: Skids Industry: Competitive Landscape – Product Offering and Capability (2016)

Company	Location	Oil and Gas Modular Skids	Metering Skids	Truck Loading and Unloading Skids	Surge Relief Skids	Chemical Injection Skids
GSW	KSA	✓	✓	✓	✓	✓
PETRONASH	UAE	✓				✓
AL-SUWAIDI	KSA	✓				✓
AES ARABIA	KSA	✓				✓
FORTUNE ENGG	UAE	✓				✓
MIS ARABIA	KSA	✓				✓
BILFAL	KSA	✓				✓
PROSERV	KSA					✓
ODS	NETHERLANDS		✓			

Company	Location	Oil and Gas Modular Skids	Metering Skids	Truck Loading and Unloading Skids	Surge Relief Skids	Chemical Injection Skids
OGSL	UK		✓			
ALDERLEY	UAE		✓	✓		
EMERSON	UAE		✓			
FMC	NORWAY		✓			

Source: The Market Consultant

3-4 Process Equipment

3-4-1 Product Overview

The process equipment market, which consists of pressure valves, heat exchangers, pipe spools and shop fabricated tanks forms the higher end of the fabrication value chain. These products need greater technical competence for manufacturing when compared with the fabrication of other standard structural steel items. The regulations and standards involved in manufacturing these products are strictly complied with, as stringent inspection checks are mandated rather than done as needed. Process equipment is largely customized to specific requirements of customers, with a majority of equipment suppliers and contractors specializing in catering to the requirements of the oil and gas and power generation sector.

3-4-1-1 Overview of the Process Equipment Industry in the GCC

Strong energy demand, supported by the growing economy and increased investments in key end-user segments (oil and gas, petrochemicals, power, etc.) in the GCC countries has resulted in the growth of the process equipment fabrication market at a CAGR 5.2% during 2012-2016.

The KSA is largest market for process equipment fabrication in the GCC, estimated at SAR 6.570 billion (~58% share), accounting for the majority of the project investments in key end use sectors of process equipment, while the rest of GCC market revenues was about SAR 4.784 billion in 2016. The continuous production of crude oil production would translate to increase in demand for pressure valves, such as separators, scrubbers, dehydrators, etc. Also, there is renewed focus on improving the refining infrastructure within the GCC; which will result in value added exports with higher margins rather than exporting crude. The GCC countries reliance on imported fuel is also expected to reduce once the refining capacities are increased. This would augment the need for storage tanks, pressure valves, etc. in the short to medium term.

Table 13: Process Equipment Fabrication Industry Size in the GCC, Historical (2012–2016), SAR billion

Year	2012A	2013A	2014A	2015A	2016A
Process Equipment Fabrication in GCC	9.3	10.1	11.1	11.3	11.4

Source: The Market Consultant

Skids application analysis by end use segment

Year	Refineries	Petrochem	Oil and Gas	Power and Diesel	Industrial
2016	31%	27%	14%	21%	7%

Source: The Market Consultant

Table 14: Process Equipment Fabrication Market for Select Products (2016), SAR Bn

Products	Market Size
Pressure Valves	6.039
Heat Exchangers	2.568
Pipe Spools	2.422
Shop Fabricated Tanks	0.325
Total	**11.354**

Source: The Market Consultant

3-4-1-2 Forecasted Demand

The KSA process equipment fabrication market is expected to grow at the fastest rate among the GCC nations with a CAGR of 4.6% during 2017 – 22 in terms of revenues, while the rest of the GCC market is expected to grow at a CAGR of 3.6% during the same period.

Saudi Aramco, ADMA OPCO, QP/ExxonMobil, Oman MOG, BAPCO and KNPC are the largest investors in the Oil and Gas Segment in the GCC. Increasing demand for polymers in the KSA will drive demand for columns, reactors, valves, etc. Oil and Gas/Refineries segment holds significant contribution to the cumulative GCC Industrial investments during 2017-2022 with growth prospects of oil and gas exploration and production efforts of the GCC nations along with added focus in value-added downstream opportunities. This is expected to increase requirement of pressure valves.

3-4-2 Demand Drivers

- GCC is expected to witness strong growth in its process equipment market due to growing demand from chemical as well as HVAC and refrigeration industries.
- Saudi Aramco's planned expenditures for 2017 – 2026 on surface facilities material is estimated to reach SAR 571 billion and is expected to drive the demand for process equipment. The demand is anticipated to be driven by the Operational Expenditure on surface facilities maintenance.
- Process equipment market is supported by investments by the government as well as private sector in oil and gas technology, petrochemicals, water and electricity supply, drainage and construction.
- Chemicals manufacturing is anticipated to witness growth rate of 6 percent during 2017–2020 due to increasing chemical projects in the GCC region. This in turn reflects on the opportunity for the pressure valves and heat exchanger market.
- Supported by the growth in industrialization and rapid urbanization, the heat exchanger market in the GCC is benefiting from demand for replacement applications.

3-4-3 Competitive Environment

The market is characterized with few players with varying capabilities in offering process equipment to the oil and gas segment. GSW has wide product offering (viz. pressure valves, heat exchangers, heaters, columns, piping systems etc.).

Table 15: Process Equipment Fabrication: Installed Capacity (2016)

Manufacturing Companies	monthly Capacity (in MT)
Bilfal Company	3000
Zamil Heavy Industries	1800
Olayan Descon	1200
Maritime	1200
Zamil Company for Process Equipment	1200
The Company	800
Gulf Engineering	800
Inma Steel Company	300

Source: The Market Consultant

3-5 Fabricated Structural Steel

3-5-1 Product Overview

The increased industrial activity in the GCC nations has propelled growth of the fabricated structural steel demand in the GCC during 2012-16. Fabricated structural steel finds varied application in industrial construction and the commercial/infrastructure construction segment, with a skew towards majority usage in industrial construction.

3-5-1-1 Fabricated Structural Steel Industry Overview

The KSA is the largest market for fabricated structural steel in the GCC (44% market share) with estimated revenues of SAR 3.835 billion in 2016, having grown at a healthy CAGR of about 7.4% (in terms of revenues) during 2012-16. Industrial activity in the KSA has witnessed steady development over the years owing to continued efforts from the government

in terms of the provision of necessary infrastructure, incentive schemes, cluster development, etc. Structural steel usage in the industrial sector (steel plants, refineries, etc.,) is very high compared with the usage of concrete. In the commercial and infrastructure sector, concrete remains the default construction material within this segment primarily due to the reluctance to change mind-sets. Structural steel finds usage mainly in the case of select high-rise building projects.

Table 16: Fabricated Structural Steel Industry Size in the GCC, Historical (2012-16), SAR billion

Year	2012A	2013A	2014A	2015A	2016A
Fabricated Structural Steel Industry Size	6.6	7.5	8.3	8.5	8.7

Source: The Market Consultant

Table 17: Fabricated Structural Steel Industry Size by End Use Segment (2016), (%)

Year	Oil and Gas	Industrial	Refineries	Petrochem	Power and Diesel	Others
2016	46%	16%	15%	10%	12%	1%

Source: The Market Consultant

3-5-1-2 Demand Forecast

The GCC demand for fabricated structural steel is poised to grow at a CAGR of about 6.0% during 2017-22 to the backdrop of mega investments in sectors such as oil and gas, power, industrial, etc.,

3-5-2 Demand Drivers

- The demand for fabricated structural steel products is on the rise and the industry is gearing up for head-to-head competition with global peers, as massive spending on infrastructure projects and positive sentiments in the region fuels growth in the core sectors.
- The GCC'S apparent steel usage is expected to grow in the short to medium terms due to large investments in oil and gas, petrochemical plants, power plants, and desalination projects, etc.
- GCC oil production capacity is anticipated to grow substantially in the next 10 years. The depletion of existing oil fields and new finds will generate significant structural steel demand.
- The population growth in the GCC has fuelled the government's diversification focus on the infrastructure/ construction sector, among others.

3-5-3 Competitive Environment

The market is characterized by having few players, and GSW is one of the leading players in this sector. The structural steel product offering portends well for GSW with process equipment and skids, as the Company can offer complete solution to the end customers.

Table 18: Fabricated Structural Steel Industry: Installed Capacity (2016)

Fabricators	Monthly Capacity (in MT)
AIC	7000
Zamil Structural Steel Co. Ltd	6000
Hidada	6000
Gulf Steel Works (GSW)	5000
IBSF	3000
Abdullah Al-Khalifa	1500
Al Babtain	700

Source: The Market Consultant

3-6 Site Tank Fabrication and Maintenance

3-6-1 Product Overview

Oil and gas storage service providers hold crude oil, both unrefined and refined products including gas oil, gasoline, aviation fuel, naphtha, diesel, kerosene, liquefied natural gas, liquefied petroleum gas and water; this is the key driver for the site fabrication of storage tanks.

3-6-1-1 Site-Fabricated Tank and Maintenance Industry Overview

Significant capacity additions in the GCC to boost storage for crude oil is set to become a global trade hub to boost tankage market. Imports of refined oil to meet energy demand would also define requirement for tanks. The site fabricated tank and maintenance market in the GCC has been estimated at SAR 4.138 billion, having grown at a CAGR of 5.5% over the last four years.

Market revenue for the maintenance is expected to grow as the aging equipment/plants require greater and faster maintenance, while new plants get more complex, prompting companies to switch to innovative methods. Turnaround maintenance services for equipment/plants are expected to become increasingly significant (e.g.: Well-maintained refineries will be able to produce fuels more efficiently, boosting the throughput to suffice the growing demand).

With capacity additions planned for a range of petrochemical products like polyethylene, polypropylene, etc., especially in the KSA and the UAE, the market for tanks has been on the rise in the GCC. With increasing crude oil production, the GCC has been investing in expanding its tank terminals to cater growing global energy demand. The KSA (45% share) serves as most attractive market among the GCC countries offering highest revenue potential due to the large installed base of equipment and planned investments.

The UAE also is a significant contributor to the on-site fabrication and maintenance services market, having one of the top three storage terminals in the world at Fujairah. The maintenance philosophy within the UAE can be described as more contractual than transactional. The contractual agreements vary from short-term standard scope maintenance assignments to full-fledged long-term service agreements (LTSAs).

Table 19: Site-fabricated Tank and Maintenance Industry in the GCC, Historical (2012–16), SAR billion

Year	2012A	2013A	2014A	2015A	2016A
Site Fabrication and Maintenance Industry Size	3.3	3.6	3.9	4.1	4.1

Source: The Market Consultant

Application breakdown by end use segment

Table 20: Site Tank Fabrication and Maintenance Industry Size by End Use Segment (2016), (%)

Year	Refineries	Power and Diesel	Petrochem	Industrial	Oil and Gas
2016	47%	16%	14%	12%	11%

Source: The Market Consultant

3-6-1-2 Forecasted Demand

Development contributing to increased demand for storage tanks is due to increasing geographic imbalance between refining production and consumption; increasing products with different specifications to comply with regulations, leading to a greater need for segregated storage and blending capabilities; increasing activity from independent retailers/ distributors and hypermarkets; and the impact of oil trading, contango storage and compliance with compulsory stock obligations.

3-6-2 Demand Drivers

- Operational expenditure for maintaining oil and gas assets is expected to drive the demand for site-fabricated tank and maintenance services.
- Construction of new plants boosts the scope for integrated maintenance solutions through the life-cycle of the plant.
- With increased focus on mitigating the adverse effects of greenhouse emissions, refineries are required to adhere to stricter operating norms. The impact of the environmental regulations is expected to increase in the long term as the global pollution levels surge and there is a greater need for maintenance.
- Process industries have increasingly adopted routine maintenance and inspection services as a strategy to improve productivity, decrease replacement costs, gain competitive edge and enhance profitability.

- Saudi Aramco is expected to spend SAR 439 billion on rigs operations and well services, which will create sizable demand for site fabrication and maintenance of oil wells and rigs.

3-6-3 Competitive Environment

The GCC demand for site-fabricated tanks is mostly met through domestic fabricators. Domestic fabricators of pressure valves and other process equipment have developed the capability to fabricate tanks. The other players do not have complete fabrication capability (i.e. they are mostly dependent on new investments with respect to process equipment and other fabricated products). However, as GSW has a broad product portfolio to address both the new Greenfield/ Brownfield projects as well the maintenance of oil field equipment, it is uniquely positioned to grow.

Table 21: Site Fabrication and Maintenance: Installed Capacity (2016G)

Manufacturing company	Monthly CAPACITY (million tons)
Arabian CBI Tank Manufacturing Company Ltd	3500
Yanbu steel company	1500
Al-Hidadah limited company	1500
The Company	1200
Metsco heavy steel industries limited	1200
Al-Khodari Company	800
Olayan Descon Company	800

Source: Market Consultant

4. The Company

4-1 Company Overview

GSW is a joint stock company registered under Commercial Registration No. 2055003300 dated 08/05/1414H (corresponding to 24/10/1993G), having its head office address in Jubail, Industrial City, Support Industries Area. The capital of this company is two hundred million (SAR 200,000,000) Saudi riyals divided into twenty million (20,000,000) shares with a fully paid nominal value of ten (SAR 10) Saudi riyals. The company's s operating in the metal industries sector.

4-2 History of the Company and Capital Evolution

On 17/01/1429H (corresponding to 26/01/2008G), Pan Gulf Holding Company ,which owns a branch named Gulf Steel Works Factory registered under Commercial Registration No. 2055003300 issued in Jubail on 08/05/1414 H (corresponding to 24/10/1993), and Pan Gulf Industrial Investment established Gulf Steel Works Company as a limited liability company in Khobar under the Commercial Registration No. 2051037320 dated 16/05/1429H (corresponding to 21/05/2008). Gulf Steel Works Factory remained as a subsidiary of Gulf Steel Works Company in Jubail. The Company's capital was set at twenty-eight million Saudi riyals (SAR 28,000,000) divided into fully paid two million and eight hundred thousand (2,800,000) ordinary shares with a nominal value of SAR (10) per share. After valuing the assets and equity of the subsidiary at twenty-eight million Saudi riyals (SAR 28,000,000), the new partner - Pan Gulf Industrial Investment Company Limited paid the value of his shares in the capital. The table below shows the ownership structure of Gulf Steel Works Company upon incorporation:

Table 22: Gulf Steel Works Company's Shareholders upon incorporation

Shareholder's Name	No. of shares	Value of share (SAR)	Ownership (%)
Pan Gulf Holding Company	2,520,000	25,200,000	90%
Pan Gulf Industrial Investment Company	280,000	2,800,000	10%
Total	**2,800,000**	**28,000,000**	**100%**

Source: The Company

On 05/11/1435H (corresponding to 31/08/2014G), the capital of Gulf Steel Works Company was increased from (SAR 28,000,000) to (SAR 50,000,000) divided into (5,000,000) shares with a nominal per-share value of (SAR 10) per share by capitalizing (SAR 22,000,000) by Gulf Steel Works Company's partners pursuant to the certificate issued by Gulf Steel Works Company's legal accountant. The following table shows Gulf Steel Works Company's ownership structure following the raise of capital.

Table 23: Ownership structure as on 05/11/1435H (corresponding to 31/08/2014G)

Shareholder's Name	No. of shares	Value of share (SAR)	Ownership (%)
Pan Gulf Holding Company	3,000,000	30,000,000	60%
Pan Gulf Industrial Investment Company	2,000,000	20,000,000	40%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 11/02/1436H (corresponding to 03/12/2014G), Pan Gulf Holding Company assigned all of its three million (3,000,000) shares, of which two million, nine hundred and fifty thousand (2,950,000) shares were transferred to Pan Gulf Industrial Investment Company and fifty thousand (50,000) shares to Pan Gulf Steel as a partner of Gulf Steel Works Company. The following table shows Gulf Steel Works Company's ownership structure after the transfer of shares:

Table 24: Ownership structure as on 11/02/1436H (corresponding to 03/12/2014G)

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	4,950,000	49,500,000	99%
Pan Gulf Steel	50,000	500,000	1%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

On 16/03/1438H (corresponding to 15/12/2016G), with the desire of the partners to support and enhance the factory's activity and increase its operation, Gulf Steel Works Factory (the "Branch") was converted to a company (the "Company") retaining its the number and date of its Commercial Registration while Gulf Steel Works Company became a branch of the Company.

On 25/05/1438H (corresponding to 22/02/2017G), the Company's share capital was increased from fifty million Saudi riyals (SAR 50,000,000) to two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) shares with a nominal per-share value of ten Saudi riyals (SAR 10) through capitalizing one hundred and fifty million Saudi riyals (SAR 150,000,000) from the Company's balance of the retained earnings account. The following table shows the Company's ownership structure following the raise of capital.

Table 25: Ownership structure as on 25/05/1438H (corresponding to 22/02/2017G)

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	198,000,000	99%
Pan Gulf Steel	200,000	2,000,000	1%
Total	**20,000,000**	**200,000,000**	**100%**

Source: The Company

Pursuant to the partners' resolution dated 24/06/1438H (corresponding to 23/03/2017G), the Company was converted from a limited liability company into a closed joint stock company with the same capital of two hundred million Saudi riyals (SAR 200,000,000).

The Company was converted into a closed joint stock company pursuant to the resolution of the Ministry of Commerce and Investment No. 227/S issued on 07/07/1438H (corresponding to 04/05/2017 G).

The following table shows the Company's ownership structure after conversion:

Table 26:Table 24: Company's ownership structure as on 03/07/1438H (corresponding to 31/03/2017G)

Shareholder's Name	Number of shares	Value of Shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	19,800,000	198,000,000	99%
Pan Gulf Steel	200,000	2,000,000	1%
Total	**20,000,000**	**200,000,000**	**100%**

Source: The Company

4-3 Overview of the selling shareholders

4-3-1 Pan Gulf Industrial Investment Company

Pan Gulf Industrial Investment Company is a closed joint stock company registered in Al-Khobar under commercial registration No. 2051035245 dated 01/08/1428H (corresponding to 14/08/2007G) with a capital of five hundred million Saudi riyals (SAR 500,000,000) divided into fifty million ordinary shares (50,000,000) with a nominal value of ten Saudi riyals (SAR 10) per share.

This Company's activities include operating factories and marketing their products, general contracting, and wholesale and retail trade.

The table below summarizes the ownership structure of Pan Gulf Industrial Investment Company as of the date of this Prospectus:

Table 27: Ownership structure of Pan Gulf Industrial Investment Company:

Shareholder's Name	Number of shares	Value of Shares (SAR)	Ownership (%)
Pan Gulf Holding Company	49,500,000	495,000,000	99%
Khalid Abdulaziz AlHamdan	100,000	1,000,000	0.2%
Mai Khalid AlHamdan	100,000	1,000,000	0.2%
Fahad Mohammed bin Saja	150,000	1,500,000	0.3%
Mohammed Fahad bin Saja	150,000	1,500,000	0.3%
Total	**50,000,000**	**500,000,000**	**100%**

Source: The Company

The table below summarizes the ownership structure of Pan Gulf Holding Company:

Table 28: Pan Gulf Holding Company's ownership structure

Shareholder's Name	Number of shares	Value of Shares (SAR)	Ownership (%)
Fahad Mohammed bin Saja	6,000,000	60,000,000	60%
Khalid Abdulaziz AlHamdan	4,000,000	40,000,000	40%
Total	**10,000,000**	**100,000,000**	**100%**

Source: The Company

4-3-2 Pan Gulf Steel

Pan Gulf Steel Company is a limited liability company registered in Al-Khobar under commercial registration No. 2051037090 dated 16/04/1429H (corresponding to 22/04/2008G) with a capital of fifty million Saudi riyals (SAR 50,000,000) divided into five million shares (5,000,000) with a nominal value of ten Saudi riyals (SAR 10) per share.

This Company's activities include wholesale and retail trading in building materials (steel, pipes) as well as manufacturing metal working and products.

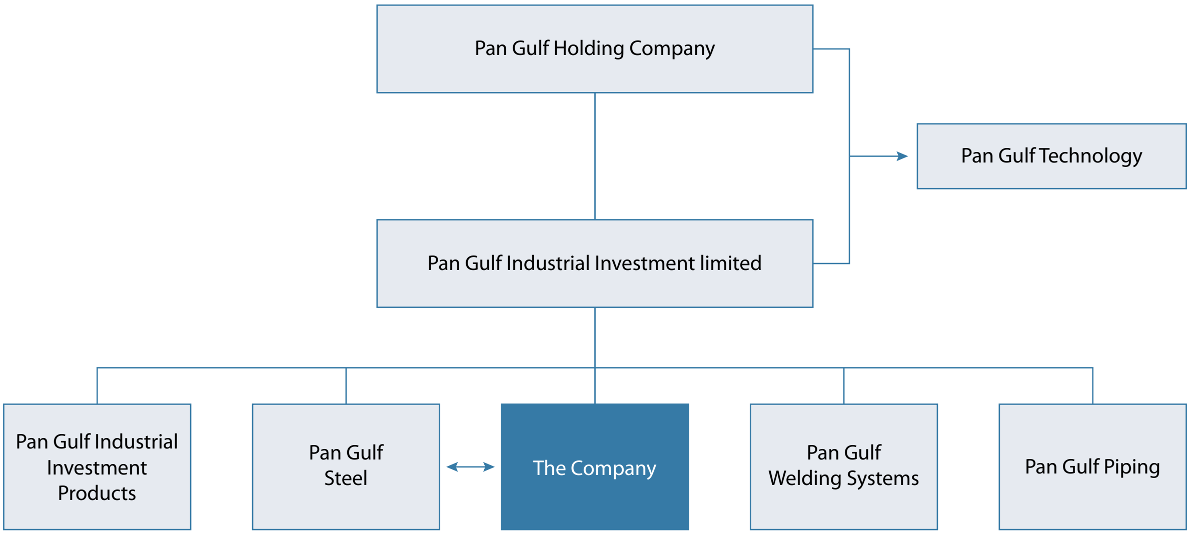
The table below summarizes the ownership structure of Pan Gulf Steel as of the date of this Prospectus:

Table 29: Pan Gulf Steel's ownership structure

Shareholder's Name	No. of shares	Value of shares (SAR)	Ownership (%)
Pan Gulf Industrial Investment Company	4,950,000	49,500,000	99%
The Company	50,000	500,000	1%
Total	**5,000,000**	**50,000,000**	**100%**

Source: The Company

4-4 Ownership Structure of the Company



4-5 Vision, Mission and Strategy

4-5-1 Mission

The Company seeks to achieve its vision by:

- leveraging its highly skilled and dedicated employee base and its state-of-the-art plant
- strengthening its position in the local and global markets
- enhancing client confidence by providing quality products and services

4-5-2 Vision

The Company aims to become a leading diversified business committed to sustaining excellent performance in every market it serves, by delivering high-quality, safe and reliable products, services and industrial solutions, both locally and internationally.

4-5-3 Strategy

The Company's strategic objective is to provide incremental value for all shareholders by providing a full range of engineering and manufacturing products in order to enhance its position as a leading heavy steel structure fabricator, system integrator, processing equipment manufacturer and service provider, and to expand its presence in the global markets for its products.

4-6 Strengths and Competitive Advantages

4-6-1 Strong Market Position in Challenging Industry

The Company is a producer of complex equipment and products. The Company believes that it has a strong market position in developing steel structures and complex equipment for clients in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries. Difficulties in access to this industry lie in the capital-intensive nature of production, high technological sophistication of production processes, regulatory and industrial certification and necessary approvals from major customers as key participants in the oil and gas industry.

When bidding for certain complex projects, such as the skids and site fabrication tank sector, it is common practice for participants to be required to design and build a prototype product for the customers' approval in accordance with their specifications and standards. This requires a participant to incur significant capital expenditures with no assurance of a return from the product. After the product is installed, there is no assurance that a participant will be awarded the contract and be able to monetize its investment in the product. This also serves as a barrier to enter into this sector.

4-6-2 State of the Art Technology

The high sustained growth of the industrial sector is attracting the latest technologies and equipment. The Company has implemented sophisticated design software which enables its centralized systems to coordinate all automated machines used by the Company's engineering department.

All of the Company's buildings and its plant are linked to the main data centre with backup lines. This state of the art technology ensures better productivity for the Company's employees and helps avoid any technical malfunctions in the system.

4-6-3 Diversified Products Base

The Company serves a broad range of industrial sectors, including the oil and gas sector, petrochemical sector, water and power sector and mining sector, and other infrastructure projects in the GCC and the MENA region (for more information, see Section (4.8) "The Company's Products and Divisions") such as the stadium in Basra, Iraq and the supply of site tanks in the Habshan project in Abu Dhabi, UAE.

The Company believes that it offers a more extensive range of products than many of its competitors. Through its diversified product and service offerings, the Company is able to offer its customers an "integrated product package" solution, allowing it to provide a full range of approved/accredited products and services across various sectors, and allowing the customers to use integrated and diversified products from one source and one supplier.

4-6-4 Strategic Location and Strong Infrastructure Backing

The Company's plant is strategically located on land leased from the Royal Commission of Jubail and Yanbu in Jubail Industrial City. The plant has an area of 147,000 m2, with an annual capacity of 60,000 tons of structural steel and a total workforce in excess of 1,500 employees, along with an actual annual operating capacity of 70% for the financial year 2017G, providing it with the capacity to meet market needs and capitalize on business opportunities. The Company also benefits from its status as a local manufacturer for the following reasons:

- The Company is able to provide its clients with the opportunity to check and follow-up on the products throughout the manufacturing process, offer shorter delivery times and provide prompt after-sales support.
- Time of transportation of products from a foreign manufacturer to the customers in the Kingdom can take up to one or two months, with late deliveries to customers often resulting in penalties. Foreign manufacturers are also

subject to customs and transportation costs, all of which reduce margins for international suppliers.

- The Company's "on-the-ground" presence inside the Kingdom facilitates continuous and direct interaction with its clients.

4-6-5 Localization Strategy in line with IKTVA Program 2030

It was recently publicly announced that Aramco has launched its In-Kingdom Total Value Add (IKTVA) program. IKTVA is underpinned by mandatory 'local content development' of suppliers and contractors that prioritizes the purchase of goods and services from a local supplier base. The policy mandates a significant increase in the percentage of locally-manufactured energy-related goods and services to 70% by 2021. Accordingly, the Company expects to enjoy a relative advantage over international competitors in supplying many of the local projects with Aramco.

4-6-6 International Technical Approvals and Regional Key Customers Approval

The Company's manufacturing processes are carried out in accordance with the international norms or under accreditations or product certification licenses. Most of the Company's products are manufactured to international specifications, and in each case, they are issued by a number of international accrediting agencies. These accreditations and product specifications issued by API, ASME, and ISO certification are the industry standards requested by the Company's customers.

The quality of the Company's products is critical, and the Company's ability to manufacture its products to international specifications demonstrates its commitment to quality and has resulted in its reputation as one of the regional leaders in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries.

The Company has also obtained various approvals from major companies in the oil and gas sector, which are prerequisites for its customers who supply various end-users with products which meet certain accreditation standards. The Company believes that this provides the Company with an advantage over other competitors in the same sector.

4-6-7 Design Capabilities, Experience and Technical Know-How

The Company offers a variety of products to meet the needs of major clients for large-scale projects. This in turn enhances the Company's competitive position vis-à-vis its competitors, whereby it can modify its product specific production capacity according to changing demand and specification needs.

In order to maximize efficiency, the Company, together with its engineering team in Jubail, has outsourced its heavy and complex design and engineering function to an affiliate based in India, Pan Gulf Technologies, affiliated to Pan Gulf Industrial Investment Company. and Pan Gulf Holding Company.

A sector-specific engineering capability is a critical enabler for the Company to successfully bid for large projects. Through its long-term framework agreement with Pan Gulf Technologies for five (5) years starting from 01/04/2017G, the Company has access to design and engineering services by an experienced and dedicated team of over 200 qualified engineers. Pan Gulf Technologies has developed a significant amount of know-how in terms of industry specifications and certifications. The accumulated experience enables Pan Gulf Technologies to develop new products for the different divisions of the Company to a higher quality standard within relatively short time.

4-6-8 Industry Expertise and Experienced Management Team

Members of the Company's senior management team combine strong commercial, technical and management skills and have been with the business on average for seven years. Management believes that the Company's industry expertise and experienced management team enable it to capitalize on potential opportunities in the market.

4-7 The Company's Business

The Company is one of the leading heavy steel structure fabricators, system integrators, processing equipment manufacturers and service providers in Saudi Arabia.

The Company specializes in servicing major oil and gas companies, petrochemical companies and EPC Contractors and in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries, which generally only procure products from approved suppliers that meet certain industry or in-house technical certifications.

The Company believes that it has established a strong market position in the hydrocarbon processing (oil, gas and petrochemicals), fertilizer, process chemical, primary utilities (power generation and water desalination), sports and infrastructure industries and a credible reputation amongst its customers for delivering high quality products to the required specifications with relatively short lead times. The Company believes that this is primarily due to its high technical qualifications, design and engineering capability, and modern state-of-the-art plant and equipment.

The Company's plant is located in Jubail Industrial City with an area of 147,000 m2 and a total production capacity of 60,000 tons of structural steel per year. The Company has a total workforce in excess of 1,500 employees.

4-8 The Company's Products and Divisions

The Company has been successfully offering its products and services since its formation. The Company started in the early 1990s with the Structural Steel division. In recent years, the Company has expanded its business activities horizontally into new business lines and activities, such as the Skids and Weld Overlay Cladding Divisions, to become one of the leading steel fabricators and system integrators in the Kingdom by understanding the needs of its clients.

The following table shows the Company's key approvals of its products since its establishment up to the date of this Prospectus. The Company does not produce any product except as disclosed in the table below.

Table 30: key approvals of products since the Company's establishment:

Year	Event
1997	The Company was accredited as an ISO 9001 facility and approved by a key participant in the oil and gas industry for the supply and fabrication of structural steel.
2002	The Company was approved by a key participant in the oil and gas industry for the supply and fabrication of pressure valves and tanks.
2007	The Company was approved by a key participant in the oil and gas industry for the supply and fabrication of chemical dozing Skids.
2009	The Company was approved by a key participant in the oil and gas industry for the supply and fabrication of custody metering Skids.
2014	The Company was approved by a key participant in the oil and gas industry for the supply and fabrication of oil and gas modular Skids.
2016	The Company was approved by a key participant in the oil and gas industry for cladding and pipe fittings.

The Company organizes its operations through dedicated divisions with a focus on specific products and services. These divisions are: the Skids Division, the Cladding Division, the Site-Fabricated Tanks Division, the Process Equipment Division and the Structural Steel Division. Each division operates through its own operations department and has a separate finance department, which reports directly to the Company's CFO.

These operational divisions are supported by centralized support functions at the Company level, including procurement, human resources, administration, sales and marketing, legal and IT.

Set out below is a summary of each of the Company's divisions:

4-8-1 Structural Steel Division

The Company's Structural Steel Division was established upon incorporation of the Company in 1994. The Structural Steel Division fabricates and installs structural steel and plate works for various industrial and commercial applications. The division specializes in fabricating a broad range of customized steel products to meet customers' required specifications, including pipes racks, crossover bridges, catwalks, equipment structures, boiler structures, derrick (flare) structures, industrial platforms and ladders. The Structural Steel Division operates through its own engineering, project control and fabrication shop.

Fabrication operations are carried out within the Plant, which has a structural steel production capacity of 60,000 metric tons per year and a plant facility area of approximately 100,000 m2. The Company's fabricated steel structures are generally supplied to EPC contractors in major power and desalination plants, petrochemical plants, oil and gas sector, still mills, high rise building as well as other industrial and commercial complexes within Saudi Arabia and the Middle East Markets.

The below list provides an overview of the products offered by the Structural Steel Division:

Pipe racks and bridges

- Equipment structures
- Building structures
- Boiler structures
- Derrick (flare) structures
- Industrial platforms and ladders
- Commercial building and towers

4-8-2 Skids Division

The Company's Skids Division was established in 2005. A Skid is a structural frame on which various items of equipment are mounted and integrated and then interconnected with pipes and further integrated with certain instruments and process control systems. Through the Skids Division, the Company is an approved integrator by a major oil and gas company for skids. The Skids Division designs, assembles and supplies a various types of process skids for the oil and gas industry in Saudi Arabia.

The division provides certain other ancillary services, including skids commissioning, customer support, personnel training and maintenance services. Skids are integrated in the process equipment shop in coordination with the Process Equipment Division.

The below list provides an overview of the products offered by the Skids Division:

- Chemical dozing skids
- Liquid custody metering skids with prover
- Gas quantity metering skids
- Sudden pressure discharge skids
- Truck loading and unloading skids
- Gas and oil modular skids
- Integration of filtration skids and other process

4-8-3 Process Equipment Division

The Company's Process Equipment Division was established in 2001. The Process Equipment Division produces a wide range of processing equipment products including pressure valves, shell and tube heat exchangers, fan air coolers, shop fabricated tanks and pipe spool works. In 2016, the Process Equipment Division built three 'super heaters' weighing 40, 60 and 80 MT respectively within a 45-day period, which the Company believes was a first in the industry. The Process Equipment Division operates through its own engineering, project control and fabrication shop.

The below list provides an overview of the products and services offered by the Process Equipment Division:

Static Equipment

- Pressure valves in CS, SS and Cladded
- Shell and tube heat exchangers
- Tanks in CS and SS
- Ducts and stacks

Piping:

- Pipe spools
- Scraper launcher and receiver

Operation and Maintenance

- Management of activities for shut down and maintenance of plants, and completion of design, fabrication, assembly and erection at site
- Pressure valve maintenance–repair and modification as per ASME 'R' Stamp regarding quality
- Addition of cladding layer to insulate and protect pressure valve's internal surface and nozzles
- Tank repair and maintenance as per API 653
- Heat exchangers maintenance
- Air coolers: cleaning, nozzle replacement and repair of tubes
- Columns: replacement of tray support rings, tray floors and other repairs and modification
- Pipe line construction, repair and modification
- Flare and stack work

4-8-4 Weld Overlay Cladding Division

The Company's Weld Overlay Cladding Division was established in 2013. Cladding is the application of one material over another to provide skin or layer intended to minimize corrosion. The Weld Overlay Cladding Division provides weld overlay and various insulation combinations entailing various kinds of steel and alloys as well as having capabilities for shutdowns and maintenance. It repairs and maintains heat exchangers and air fan coolers, repairs valves with the ASME R stamp, repairs tanks and performs tank modifications. The Company's cladding facility is approved in the Kingdom and the Middle

East by major oil and gas companies. The Weld Overlay Cladding Division's operations are carried out within a separate bay in the Processing Equipment facility in Jubail, through its own engineering, project control and fabrication shop.

The Weld Overlay Cladding Division provides high quality solutions and services, using the next generation of cladding technology compared to traditional, cable-based system to overlay all pipe, flanges and fittings 2" and above.

4-8-5 Site-Fabricated Tanks Division

The Company's Site-Fabricated Tanks Division was established in 2009. Tanks are mainly used for storing crude oil, hydrocarbon refined products, liquid chemicals and water. The Company believes that it is a leading manufacturer and fabricator of carbon and stainless-steel storage tanks across Middle East for petrochemical, oil, electrical and infrastructural facilities. The Site Fabricated Tanks Division has the capability to design, fabricate, test and handover the tanks as per the API and International Standards. It specializes in cone roof, floating roof and dome roof installation. The Site Fabricated Tanks Division operates through its own engineering, project control and fabrication shop.

This division also provides shutdown and maintenance works, which include tank cleaning, nozzles replacement and tube repair and pipe rack revamping. The Company is approved by leading clients such as a key participant in the oil and gas industry, SABIC, MA'ADEN, Royal Commission, Marafiq, Saudi Electricity Company, Banagas, ADNOC and various major companies.

The below list provides an overview of the products offered by the Site Fabricated Tanks Division:

Fixed-roof

- Self-supporting/supported cone roofs
- Self-supporting dome roofs
- Geodesic aluminium dome roofs
- Stiffened umbrella roofs

Floating-roof

- Internal and external operations
- Welded steel roofs
- Aluminium floating roofs

Special Atmospheric Tanks

- Open top tanks
- Chilled water tanks
- Elevated cone bottom tanks
- Metal / steel cones
- Silos

4-8-6 Shutdown and Maintenance Division

The Company's Shutdown and Maintenance Division provides a wide range of services, which includes pipe site modification, installation of equipment and repair and hydro jetting of pressure vessels, heat exchangers, super heaters, columns and tanks.

Once the customer contacts the Company for a maintenance request, the Company procures the various materials and components needed for the maintenance of the product through the Company's Central Procurement Department. After assembling its team of shutdown and maintenance experts, the Company transfers its materials and manpower to the customer's site until the completion of the shutdown.

During shutdown, the Company liaises with the customer as to the times during which it can conduct its shutdown and maintenance activities in order to maintain the quality and safety of the customer's workers and premises.

After completing the shutdown and maintenance, and issuing the customer a certificate of completion, the Company transfers its materials and manpower to the Company's facility.

4-9 Suppliers

4-9-1 Selecting the Suppliers

The Company may only procure its materials and other items from the current list of approved suppliers that meet the standards and specifications required by its key customers and end-users.

Each new supplier is subject to a screening process where the Company's Quality Control Department evaluates if the supplier is suitable, taking into account a number of considerations, including the suppliers' financial capability, competence, past performance, quality management and prices offered. Once a supplier is approved, it is added to the Company's approved supplier list but remains subject to periodic evaluation.

The nature of the Company's projects requires that procured materials and other supplied items be subject to various levels of inspection. For example, the raw materials used in the fabrication are inspected to various levels of scrutiny according to the project's requirements, Inspections range from inspecting documentation requirements only to constant monitoring of the work as it is being performed.

4-9-2 Long Term Relationships with Key Suppliers

The Company has established strong long-term relationships with its suppliers allowing the Company to gain from an uninterrupted supply of raw materials, mechanical components and other items at competitive prices.

To strengthen its purchasing position, the Company has established a large pool of suppliers and a sub-contractor base through networking at various international conferences and other events over the years. Although all procurement activities are carried out on a project-by-project basis to minimize procurement, the Company has developed strong relationships with key suppliers in anticipation of the need for long term support for future projects being undertaken by each of the Company's divisions. The Company invest significant effort in maintaining these relationships, some of which date back to the formation of the Company.

The Company also sources a number of products from affiliates within its Group, (for more information please see Section 9.7 of the Legal Section).

4-10 The Company's Operations

4-10-1 Integration Process Operations

Set out below is a high-level summary of the key phases of the integration process followed by the Skids, Site Fabricated Tanks and Process Equipment Divisions to produce their respective finished products.

4-10-1-1 Proposal Phase

During the proposal phase, the Company engages with the customer to identify and understand its requirements to ensure that the desired product is tailored to the customer's needs. This is generally an iterative process whereby the Company interacts with the customer through a series of consultations to clarify the specifications required for the product.

Based on its understanding of the customer's requirements, the Company prepares and submits a proposal for supplying the required product in accordance with agreed technical specifications of the product. The proposal will also specify the pricing, certified qualifications, relevant experience and approved component suppliers.

The majority of the Company's customers are EPC (engineering, procurement, and construction) contractors and major companies operating in oil, gas, mining, petrochemicals and utilities sectors who are required to procure the products through competitive tender processes. Accordingly, there is often a competition with several domestic or international suppliers of similar products.

At the conclusion of the tender process, the Company is awarded the contractor purchase order for supply of the Product if the customer has selected the Company as the preferred bidder.

4-10-1-2 Design Detail Engineering Phase

Until the relevant contract is awarded to the Company, the Company prepares detailed design drawings for the Product and a bill of materials which specifies the list of components, instruments, materials or other items required for the assembly of the product and the suppliers and its relevant qualifications and certifications. These are then submitted for the customer's approval.

Currently detailed designs are prepared by an experienced and dedicated team of qualified engineers at Pan Gulf Technologies. Pan Gulf Technologies employs more than 200 engineers and designers, and provides design and engineering services to steel fabrication and manufacturing companies in the United States and Europe.

Upon receiving the customer's approval, the Company proceeds to procure components, instruments, materials or other items required to assemble the relevant product. This step is only taken in the Skids and Site Fabricated Tanks Division.

4-10-1-3 Procurement Phase

Procurement of the various materials and components needed for the assembly of the product is coordinated by the Company's central procurement department on behalf of each of the Company's divisions under the supervision of the relevant division's engineering department.

Materials, components and other items may only be procured from the current list of approved suppliers, which comprises other Pan Gulf Group companies ('internal suppliers') of third party suppliers who have been pre-approved by the customer ('external suppliers').

The Procurement department then forwards the various quotations from preferred suppliers, to the engineering department of the relevant division for technical clarifications and confirmation.

Upon confirmation by the Engineering Department, a purchase order is issued to relevant supplier and the Logistics Department is then responsible for ensuring delivery of the ordered item to the Company.

Upon arrival, the relevant materials or components are inspected by the Company's by the internal quality control team and, in some cases, by certain third-party inspectors and the customer itself (if required under the terms of the customer contract) to ensure.

4-10-1-4 Implementation and Execution Phase

During this phase, the relevant components and materials are integrated to assemble the finished product, which is tested and then finally delivered to the customer.

The steps carried out during this phase include:

- Integration: This involves mechanical assembly of all prefabricated components and items (procured from suppliers) in the required sequence and, [in the case of Skids and Process Equipment Division Products] then powering the system.
- Testing and Certification (for site tank products): This testing process is referred to as "FAT." The Factory Acceptance Test involves the process of testing the functionality of the Skids as per the approved testing procedures with the client. Skids are internally tested and proved as per the design. It may be tested again in the presence of the customer. Any comments from the customer are implemented and rectified as per the contractual agreement therewith.
- In the case of fabricated site tanks, various non-destructive tests are carried out on the fabricated tanks' weld joints and/or equipment to confirm compliance with the required quality standards and specifications. These tests include X-ray tests, magnetic particle inspection ("MPI") tests, penetration tests (PT), hydro tests and pneumatic tests. After testing, the customer may conduct a final inspection.
- Blasting and Painting: In the case of carbon site tank products only, these are blasted and painted as per required standards and the customers specifications, and then jointly examined by the Company. The customer's quality inspectors ensure that surface preparation and paint thickness conforms with the required specifications.
- Delivery: In the case ofSkids and Process Equipment, following delivery, these are installed by the customer and SAT (site acceptance testing) is conducted by the client.
- After Sales Service: The Company generally provides a one-year performance guarantee on the functionality of Skids and on demand after sale services.

4-10-2 Fabrication Operations

Unlike the Company's divisions, the Structural Steel Division fabricates its products from steel raw materials rather than integrating ready-made components.

The Structural Steel Division's operations focus on identifying and using the latest fabrication methods, technology and machines to ensure it achieves the highest levels of productivity, quality and delivery. For example, the division's preparation facilities are equipped with the latest CNC equipment and technology, a central system which coordinates all automated machines to ensure the quality and accuracy of beams, angles and plates used in the fabricated products, and the latest 'Wheelabrator' blasting machines that ensure that the highest cleanliness quality of all profiles are achieved. In addition, all key aspects of the Structured Steel Division's operations, including material procurement, engineering, drawing releases, fabrication and delivery, are monitored and controlled through the Company's ERP MS Dynamics AX, a business process management software that integrates and automates many back-office functions related to technology, services and human resources. The Company regularly upgrades and invests in new equipment and technologies to ensure it maintains the highest quality of production and meets customer expectations.

The Structural Steel Division's fabrication process is summarized as follows:

4-10-2-1 Receipt of Materials and Inspection

The raw materials used in the fabrication of steel structures are carbon steel and stainless-steel sections, such as plates, pipes and rolled sections. These materials are procured from main steel mills. Upon delivery to the factory, the Company's quality controller carries out visual and dimensional checks against the respective mill certificates to confirm that the materials received are of the correct dimensions and specifications.

4-10-2-2 Cutting and Fit Up

The raw materials are cut as per the material cutting plan using the 3 cutting and drilling lines in the factory and are then fitted or aligned as per drawing requirements for welding. At this stage, the Company's quality controllers again conduct visual inspections on the fitted components before welding commences.

4-10-2-3 Welding

Depending on the weld map, the cut components are either welded at the factory or at the project site. For easy identification of the fabricated components when they are fitted up and welded or bolted together at the project site, these components are either marked or stamped. Weld maps are also used to identify the location of defective weld joints found when X-ray testing is conducted.

4-10-2-4 Testing

Non-destructive tests are carried out on fabricated structures and equipment to ascertain that the works conform to the required quality standards. Such tests include X-ray tests, magnetic particle inspection ("MPI") tests, and penetration tests, hydro tests and pneumatic tests. After testing, the client may conduct a final inspection on the fabricated work. Steel tanks are commissioned and tested on site.

4-10-2-5 Blasting and Painting

After the welding and testing processes have been completed, all fabricated carbon steel products are sent for blasting and painting. Surface preparation and thickness of the paint are jointly examined by the Company's and the client's quality controllers to ensure that it conform to the required specifications.

The Company conducts its activities through its factory in Jubail, supported by state-of-the-art equipment, with an area of 147,000 m2, of which 60% is utilized for steel structures and 40% for the remaining divisions.

The Company also operates through its light structure facility and lay-down area of 200,000 m2 for steel structures in Jubail, along with its site tanks perpetration workshop of 100,000 m2, which is also in Jubail.

Furthermore, the Company has its own labour accommodations, which accommodates 1,200 people.

4-11 Key Clients

The Company has a diverse customer base, which spans a number of industry segments including the oil and gas sector, petrochemical sector, water and power sector and the mining sector.

The majority of the Company's customers are EPC contractors and end users. The Company's revenues from EPC contractors account for 38.9% of the Company's revenue for the period ended 31 March 2017G.

The Company is an approved fabricator and manufacturer for several blue-chip companies and has excellent relationships with regional and international EPC Contractors, most of which are based in Saudi Arabia.

The Company operates regionally and has accomplished several projects in the United Arab Emirates, Qatar, Kuwait and Iraq. It has recently received the "Best Contractor Award" for delivering storage tanks to ADNOC and GASCO in Abu Dhabi.

Furthermore, the Company is one of the few approved manufacturers of Skids for a major oil and gas company worldwide and has received several letters of recognition and awards of appreciation in this matter.

The Company's largest customer is currently a key participant in the oil and gas industry to whom it supplies its products to pursuant to short-term contracts and purchase orders. For the period ended 31 March 2017G, revenues from that key participant accounted for approximately 46.5% of the Company's total revenue.

Due to the increase in projects with a key participant in the oil and gas industry and other end users, the Skids Division by percentage increase in revenue accounts for 131% of the Company's revenue for the period ended 31 March 2017G.

4-12 Sales and Marketing

The Sales and Marketing department's responsibilities include keeping abreast of the needs in different markets for the years to come, and working to satisfy those needs in advance. It also works on pre-qualifying the Company's products with major clients in the Kingdom, abroad, or in other targeted future markets.

The Sales and Marketing Department's priority is to research and identity new projects and develop these into opportunities as a source of new business for the Company. The Sales and Marketing Department also coordinates the bidding process between the Company and the EPC contractors to win the new projects which it has sourced.

Among the Sales and Marketing Department's most important responsibilities are planning for the sales budget and working towards realizing expected budget profitability, as well as participating in tenders for major clients. The Sales and Marketing Department also undertakes to prepare and follow up on all the offers submitted by the Company to all its clients, both inside and outside the Kingdom.

4-13 Training

All of the Company's facilities conduct internal personnel training and development programs. The Company has also set up a branch, Al-Khalijiah Industrial Training Institute, which enables Saudi nationals and non-Saudi nationals to improve their technical, professional and managerial skills and increase their qualifications, with a view to employing such personnel at its facilities in the future.

The Company's practical corporate training solutions has impacted the oil and gas companies in Jubail Industrial City which are specialized in the steel industry, fabrication and steel structures, welding solutions, piping systems, industrial solutions and fabrications, and valves manufacturing and services.

The Company has training programs in place to train Saudi fabricators and welders in order to upgrade its skilled labour workforce and maintain high standards of quality. In addition, the Company maintains on-site facilities for the non-destructive testing of all welds, a process performed by an independent contractor.

4-14 Safety and Quality Certifications

The Company is committed to the safety and health of its employees. The Company believes that a strong safety culture is a critical element of its success. The Company continues to upgrade its programs to ensure the safety of its employees and allow it to remain in compliance with all applicable safety regulations. The Company is committed to maintaining a well-trained workforce and providing timely instruction to its workforce to ensure its workers have the knowledge and skills to perform their work safely while maintaining the highest standards of quality possible.

The Company fabricates according to the standards and regulations of the American Society of Mechanical Engineers, the American Petroleum Institute, and customer specifications. The Company uses welding and fabrication procedures in accordance with the latest technology and industry requirements.

The Company's quality management systems are certified as ISO 9001-2008 programs. ISO 9001-2008 is an internationally recognized verification system for quality management overseen by the International Standard Organization based in Geneva, Switzerland. The certification is based on a review of the Company's programs and procedures designed to maintain and enhance quality production and subject to semi-annual review and full recertification every three years.

Obtaining international quality certifications may be one of the requirements for the adoption of the Company as a major supplier with its key customers. Therefore, the Company's ability to maintain quality certificates is essential to its business. Maintaining these standards and specifications requires a structured approach in order to ensure that systems remain in place.

The Company has the following certifications which it considers necessary for its business:

Table 31: List of Quality Certifications obtained by the Company

Certification	Details
ISO 9001	ISO 9001 provides certifications to companies worldwide that implement management systems standards.
ASME Stamp, U, U2, PP and S	The American Society of Mechanical Engineers is a leading international developer of codes and standards associated with the art, science, and practice of mechanical engineering. U Stamp: This confirms that the stamped pressure valve has been designed and manufactured in accordance with the ASME requirements as per Section I in Part 8 of the requirements. U2 Stamp: This confirms that the stamped pressure valve has been designed and manufactured in accordance with the ASME requirements as per Section I in Part 8 of the requirements. PP: This confirms that stamped pressure pipes are designed and manufactured in accordance with the ASME requirements. S: This confirms that stamped electric boiler is designed and manufactured in accordance with the ASME requirements.
National Board of boilers with R stamp capabilities	Certification for the repair and alteration of boilers, pressure valves, and other pressure-retaining items
API standard for tanks and insulation	API Tanks: Standard to confirm that the tanks are suitable for storage of petroleum, petroleum products, and other liquid products. API Insulation: Standard for weld overlay works, which certifies the reliability of products and manufacturing-related processes.
SAES – Saudi Aramco Engineering Standards	Saudi Aramco Engineering Standards establish the requirements for manufacturing and designing various products and services to demonstrate ability to consistently provide reliable products that meet Saudi Aramco's specifications.
SAMSS – Saudi Aramco Material System Specifications	Specifications for the manufacturing and designing of various products and services to meet Saudi Aramco's specifications.
AISC	AISC is a non-profit technical institute and trade association dedicated to use of structural steel in the construction industry. It provides its members with supply specification, codes, technical assistance, quality certificates, standardization and market developments.
AWS	AWS is a non-profit organization whose mission is to promote science, technology and applications in the field of welding, jointing and cutting operations.
SSPC	SSPC is a professional non-profit association dedicated to the use of coatings to protect industrial steel structures. This standard determines the requirements for the preparation of concrete surfaces through mechanical, chemical or thermal methods before they are coated with protective coating or lining systems.
NACE	NACE is a professional organization dedicated to corrosion control. Its main activities include cathodic protection, industrial coatings, inspection, and testing of corrosion and material selection for specific chemical resistance.
ASTM	ASTM is an international standards organization that develops and publishes voluntary compliant technical standards for a broad range of materials, products, systems and services.

4-15 Assets outside the Kingdom

One Company branch was established abroad, specifically in Abu Dhabi, the United Arab Emirates to provide services to onshore and offshore oil and gas fields and facilities. The Company has a leased office in Abu Dhabi and operates therefrom. The annual rent of the Company's branch office in Abu Dhabi is (AED 135,200) one hundred and thirty-five thousand and two hundred United Arab Emirates Dirhams, including furniture. The percentage of assets outside the Kingdom accounts for 1% of the total assets. The Company stresses that, except as stated in this paragraph, it does not own any other assets outside the Kingdom. In addition, total assets within the Kingdom amount to SAR 230,656,442 as of March 2017.

4-16 Future Plans and Growth Opportunities

The Company aims to develop its business in the United Arab Emirates through its Abu Dhabi office. The Company participates in the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) to make major companies in the industry, such as ADNOC and GASCO, aware of the Company's diversified range of products in order to become their registered suppliers.

Moreover, the Company will participate in the OTC Petroleum Conference in Houston, USA, which is the world's largest petroleum conference, where all international oil and gas companies meet, showcase their products and share their experiences and latest technology in the energy field.

The Company's vision for research and development is to continuously look for new integrated high-value products, services and solutions that satisfy the needs of its customers and meet their expectations, by analysing customer needs and requirements and studying applicable options and global developments for its products. To implement this vision, the Company relies on innovative development of its products through a strategy aimed at studying market requirements and improving the efficiency of local industries.

4-17 Business Interruption

There has been no suspension or interruption in the Company's business during the twelve-month period preceding the date of this Prospectus that would affect or have a significant impact on its financial position, and no material change in the nature of its business is contemplated. Moreover, the Company does not intend to make any material change to the nature of its business.

4-18 Employees and Saudisation

4-18-1 Employees

As of 31/03/2017G, the Company and the branches thereof had 1,552 employees (346 of whom are Saudi nationals). The table below shows the staff distribution in departments as well as Saudisation ratio as of 31/03/2017G. The company acknowledges that it has no intention to make any substantial change in the number of employees.

Department	31/3/2017G		
	Saudi employees	Non-Saudi employees	Total
Senior Executives	1	11	12
Finance Department	6	15	21
Operation Department	22	124	146
Quality Control Department	-	47	47
Procurement Department	1	8	9
Human Resources Department	19	8	27
Marketing and Sales Department	2	11	13
IT Department	3	2	5
Internal Audit Department	-	1	1
Legal Department	-	1	1
Steel Structure Division	107	487	594
Process Equipment Division	54	170	224
Weld Overlay Cladding Division	45	17	62
Skids Divisions	32	43	75
Site-Fabricated Tanks Division	54	261	315
Total	**346**	**1206**	**1552**
Saudisation		**22.3%**	

Source: The Company

4-18-2 Saudisation

The Saudisation program "Nitaqat" has been approved pursuant to the Minister of Labour's Resolution No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G) pursuant to the Council of Ministers Resolution No. (50) dated 21/05/1415H (Corresponding to 27/10/1994G). The "Nitaqat" program was implemented on 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Labour has started to implement the "Nitaqat" program so as to encourage enterprises to employ Saudi

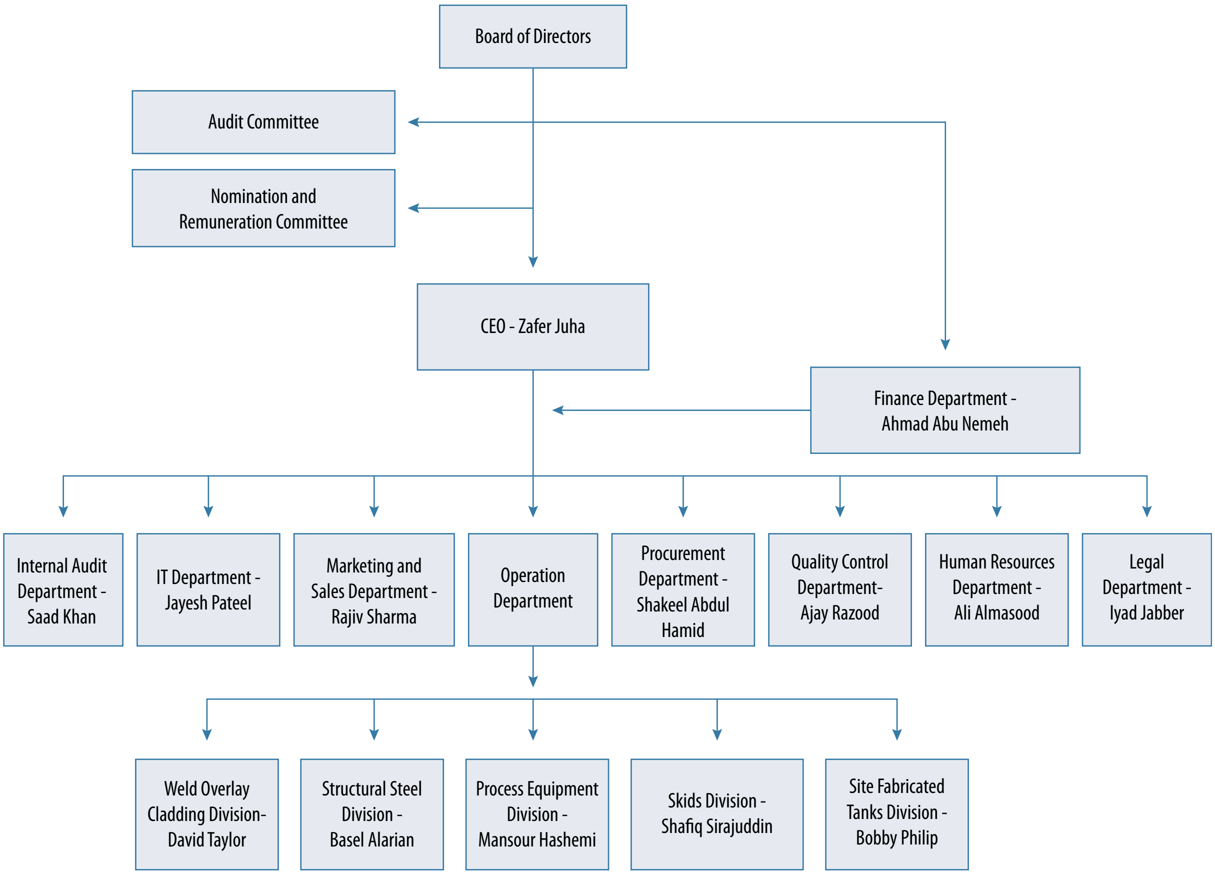
nationals. Through the "Nitaqat" program, a company's performance is evaluated based on specific categories, namely: Platinum, Green (divided into sub-categories: low, medium and high), Yellow and Red categories. Companies within the Platinum or Green categories are deemed to have met the requirements of Saudisation, and are, therefore, entitled to a number of advantages, such as enabling foreign workers to obtain and renew work visas or otherwise change their professions (except professions exclusively intended for Saudi nationals). With respect to companies which are below the Yellow Category or which are within the Red Category (based on the extent of non-compliance with the specified requirements), they are deemed to have violated the requirements of Saudisation, and may be subject to certain penalties, such as limiting their ability to renew work visas of foreign employees or completely preventing foreign employees from obtaining or renewing work visas.

It is worth noting that the Company is classified under the Platinum and Medium Green categories of the Nitaqat program, as the Company has achieved a level of Saudisation of 22.3% of total manpower as of 31/03/2017G.

5. Organizational Structure and Governance of the Company

5-1 Organizational Structure of the Company

The following chart shows the organizational structure of the Company:



5-2 Company's Board of Directors

The Board of Directors shall assume the following responsibilities:

- Developing the Company's plans, policies, strategies and main objectives, periodically supervising their implementation and revision, and ensuring the availability of human and financial resources necessary to achieve them;
- Developing and overseeing the enforcement of regulations for internal control systems;
- Supervising the Company's financial affairs management, cash flows, and financial and credit relations with third party;
- Developing the Company's interim and annual financial statements and approving them before publication;
- Preparing Board of Directors' report and approving it before publication;
- Developing effective communication channels allowing shareholders to continuously and periodically review the Company's various activities and any substantial developments;
- Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees and the manner used by the Board to monitor them. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of such committees and their members; and
- Specifying the types of remuneration granted to the employees, such as fixed remunerations, remunerations linked to performance and compensation in the form of shares without prejudice to the regulatory rules and procedures issued pursuant to the Companies Law relating to listed joint stock companies.

The Board of Directors consists of six members elected by the General Assembly of the Company, namely:

Name	Title	Capacity	Nationality	Age	Direct Ownership (%)		Indirect Holding (%)	
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
Khalid Abdulaziz AlHamdan	The Chairman	Non-executive, non-independent	Saudi	61 years	N/A	N/A	39.2%	27.4%
Salah Attiah AlOtaibi	Vice Chairman of the Board	Non-executive, non-independent	Saudi	52 years	N/A	N/A	N/A	N/A
Faisal Abdulfattah Mohammed	Director	Non-executive, non-independent	Palestinian	36 years	N/A	N/A	N/A	N/A
Mohammed Fahad bin Saja	Director	Non-executive, non-independent	Saudi	34 years	N/A	N/A	0.297%	0.21%
Hamdan Abdulaziz Al Hamdan	Director	Non-executive, non-independent	Saudi	66 years	N/A	N/A	N/A	N/A
Hamad Abdulla Al Olayan	Director	Non-executive, independent	Saudi	55 years	N/A	N/A	N/A	N/A

Source: The Company

Except as set out above, no board member, executive manager, secretary of the Board of Directors or any of their relatives has any direct or indirect interest in the Company.

5-3 Resumes of Board Members and Secretaries

5-3-1 Board Members:

5-3-1-1 Khalid bin Abdulaziz AlHamdan

Age:	61 years
Nationality:	Saudi
Current Position:	Chairman
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Civil Engineering, King Fahd University of Petroleum and Minerals, KSA, 1979G • Master of Finance and Accounting, King Fahd University of Petroleum and Minerals, KSA, 1993G
Current Executive Positions:	• Chief Executive Officer, Pan Gulf Holding Company, a limited liability company operating in the trade and industry sector, 1978G to date • Chief Executive Officer, Al Hamdan Consulting Office, an office working in design and engineering consulting sector, 1984G to date
Other Current Board Memberships:	• Chairman of the Board of Directors, Pan Gulf Industrial Investment Company, a closed joint stock company operating in the investment sector, 2015G to date • A Member of the Board of Directors, Al Alamiya for Cooperative Insurance, a listed joint stock company operating in the insurance sector, 2012G to date • A Member of the Board of Directors, Global Pipe Company, a limited liability company working in the manufacturing sector, 2009G to date • A Member of the Board of Directors, General Automotive Services Company, a limited liability company working in the automotive, vehicles and tires services sector, 2003G to date • A Member of the Board of Directors, Sun Ace Gulf Ltd, a limited liability company working in manufacturing sector, 2001 to date • A Member of the Board of Directors, Saudi Development and Re-export Services Company, a limited liability company working in the transport sector, 1999 to date • Chairman of the Board of Directors, Food and Hospitality Service Holding Company, a limited liability company working in the sector of restaurant and catering service operation, 1989 to date

5-3-1-2 Salah bin Attiah AlOtaibi

Age:	52 years
Nationality:	Saudi
Current Position:	Vice Chairman of the Board
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Industrial Management, Alabama University, USA, 1992G • Master of Business Administration, King Fahd University for Petroleum and Minerals, KSA, 1998G
Current Executive Positions:	• Chief Executive Officer, Pan Gulf Industrial Investment Company, a closed joint stock company working in the investment sector, 2015G to date
Other Current Board Memberships:	• Board Member, Pan Gulf Industrial Investment Company, a closed joint stock company working in the investment sector, 2015G to date
Previous Executive Positions:	• Manager of the Administrative Affairs Department as well as the Factory, of Attia bin Mousaed Al Thubaiti Al Otaibi Company, a limited liability company working in the contracting sector, from 1992G to 1998G • General Manager, DORMA Arabia Automatic Doors Manufacturing Company, a limited liability company working in the technology systems, from 1999G to 2000G • General Manager, Al Zamil Glass Industries Company, a subsidiary of Zamil Industrial and a company listed on the Saudi Stock Exchange working in the manufacturing industries, from 2000G to 2004G • General Manager, Almutlaq Services and Manufacturing Co. Ltd, a limited liability company working in the trade and industrial services sector, from 2004G to 2005 • Vice Chief Executive Officer, Future Pipe Industry, a limited liability company working in the pipe industry sector, from 2005G to 2013G • Chief Executive Officer, Pipes and Valves Division, Pan Gulf Holding Company, a limited liability company working in the trade and industry sector, from 2013G to 2015G

5-3-1-3 Faisal Abdulfattah Mohammed

Age:	36 years
Nationality:	Palestinian
Current Position:	Director
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Finance and Accounting, Cairo University, ARE, 2003G • Certified Public Accountant, USA, 2009G • Member of AICPA
Current Executive Positions:	• Chief Financial Officer, Pan Gulf Holding Company, a limited liability company working in the trade and industry sector, 2010G to date
Other Current Board Memberships:	• A Member of the Board of Directors, Pan Gulf Industrial Investment Company, a closed joint stock company working in the investment sector, 2015G to date
Previous Executive Positions:	• Senior Audit Manager, Deloitte and Touche Bakr Abulkhair and Partners Company, a limited liability company working in the auditing sector, from 2003G to 2010G

5-3-1-4 Mohammed Fahad bin Saja

Age:	34 years
Nationality:	Saudi
Current Position:	Member of the Board of Directors, Secretary of the Board of Directors
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Mechanical Engineering, King Fahd University for Petroleum and Minerals, KSA, 2007G • Master of Business Administration, London City University, UK, 2012G
Current Executive Positions:	• Manager of Administrative Affairs and Business Development, Pan Gulf Industrial Investment Company, a closed joint stock company working in the investment sector, 2015G to date
Other Current Board Memberships:	• A Member of the Board of Directors, Pan Gulf Industrial Investment Company, a closed joint stock company working in the investment sector, 2015G to date • A Member of the Board of Directors, Guardian Industries Company, a limited liability company working in manufacturing sector, 2016G to date
Previous Executive Positions:	• Measurement Engineer, Saudi Aramco, a company working in the oil and gas sector, from 2007G to 2008G • Reliabiliy Engineer, Saudi Aramco, a company working in the oil and gas sector, from 2008G to 2009G • Mechanical Engineer, Saudi Aramco, a company working in the oil and gas sector, from 2009G to 2010G • Operations Engineer, Saudi Aramco, a company working in the oil and gas sector, from 2010G to 2011G

5-3-1-5 Hamdan Abdulaziz AlHamdan

Age:	66 years
Nationality:	Saudi
Current Position:	Director
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Urban Planning, Washington University, USA, 1977G
Current Executive Positions:	• Managing Director, Sun Ace Gulf Ltd, a limited liability company working in manufacturing sector, 1996 to date
Other Current Board Memberships:	• A Member of the Board of Directors, Redington Saudi Arabia Distribution Company, a limited liability company working in information technology sector, 2014G to date
Previous Executive Positions:	• Head of Economic Development Department, the Royal Commission of Jubail and Yanbu, a governmental entity concerned with the development of Jubail and Yanbu cities, from 1977G to 1988G • Executive Director, the Chamber of Commerce and Industry, from 1988G to 1989G • CEO, Saudi Industrial Export Company, a listed joint stock company working in the manufacturing sector, from 1990G to 1995G

5-3-1-6 Hamad Abduallah Al Olayan

Age:	55 years
Nationality:	Saudi
Current Position:	Director
Date of Appointment:	01/05/2017G
Educational Qualifications:	• Bachelor of Business Administration, Azusa Pacific University, USA, 1988G
Current Executive Positions:	• None
Other Current Board Memberships:	• A Member of the Board of Directors, Saudi Cement Company, a listed joint stock company working in the cement production sector, 2005G to date • Chairman of the Board of Directors, Schindler Olayan Elevator Company, a limited liability company working in manufacturing sector, 2014 to date • A Member of the Board of Directors, United Cement Company (Bahrain), a limited liability company working in cement distribution sector, since 2012G
Previous Executive Positions:	• Corporate Banking Manager, National Bank of Kuwait, a listed joint stock company working in the banking services sector, from 1989 to 1990 • Corporate Banking Manager, Saudi British Bank, a listed joint stock company working in the banking services sector, from 1992 to 1995 • Manager, Finance Department, Arabian Health Care Supply Company, a limited liability company working in the medical services sector, from 1996 to 1998 • Deputy Manager, Finance Department, Arabian Health Care Supply Company, a limited liability company working in the importation and distribution sector, from 1998 to 2005

5-3-2 Board Secretary

5-3-2-1 Mohammed Fahad bin Saja

Please see section (5-3-1-4) to review the curriculum vitae of Mohammed bin Fahad bin Saja.

5-3-3 Executive Management:

Name	Nationality	Title	Date of Joining
Zafer Juha	American	Chief Executive Officer	08/08/2002G
Ahmed Abo Naama	Jordanian	CFO	19/03/2017G
Ali bin Abdullah Almasood	Saudi	Head of the Human Resources Department	11/04/2004G
Iyad Jabber	Jordanian	Legal Advisor/Head of the Legal Department	10/02/2015G
Basel Alarian	Jordanian	Head of the Structural Steel Division	05/01/1998G
Ajay Razood	Indian	Head of the Quality Control Department	06/02/1996G
Shakeel Ahmed Abdul Hamid	Pakistani	Head of the Procurement Department	25/11/2012G
Rajiv Sharma	Indian	Head of the Marketing and Sales Department	10/09/1997G
Jayesh Pateel	Indian	Head of Information Technology	28/02/2009G
Saad Ali Khan	Pakistani	Internal Audit Supervisor	19/03/2017G
Shafiq Ahmed Sirajuddin	Indian	Head of the Skids Division	04/05/2014G
Mansour Hashemi	Pakistani	Head of the Process Equipment Division	25/11/2013G
Bobby Philip	Indian	Head of the Site Fabricated Tanks Division	13/03/2014G
David Tailor	British	Head of the Weld Overlay Cladding Division	07/08/2016G

5-3-3-1 Zafer Juha

Age:	72 years
Nationality:	American
Current Position:	Chief Executive Officer
Date of Appointment:	08/08/2002G
Educational Qualifications:	• Bachelor of Industrial Development, Ohio University, USA, 1975G • Master of Regional Planning, University of Kentucky, USA, 1977G
Previous Executive Positions:	• Regional Planning and Economic Development Expert, Western Maryland State Council, from 1977G to 1980G • Technical Advisor for Industrial Development, Saudi Aramco, from 1980G to 1987G • General Manager Deputy for Planning and Development, Saudi Industrial Services Company, from 1988G to 1994G • General Manager, Steel Structures and Transformative Equipment Division, Mohammad Al Mojil Group, from 1994G to 2002G

5-3-3-2 Ahmed Abo Naama

Age:	35 years
Nationality:	Jordanian
Current Position:	CFO
Date of Appointment:	19/03/2017G
Educational Qualifications:	• Bachelor of Accounting and Finance, Yarmouk University and Al-Israa University, the Hashemite Kingdom of Jordan, 2003G
Previous Executive Positions:	• Senior Internal Auditor, Talal Abu-Ghazaleh Organization, from 2003G to 2006G • Audit Manager, Deloitte and Touche Company, from 2006G to 2011G • Comptroller, GSW, from 2011G to 2013G • Financial Manager, Pan Gulf Industrial Investment Group, from 2013G to 2017G

5-3-3-3 Ali bin Abdullah Almasood

Age:	40 years
Nationality:	Saudi
Current Position:	Head of the Human Resources Department
Date of Appointment:	11/04/2004G
Educational Qualifications:	• Secondary Education, 1996G
Previous Executive Positions:	• Owner, Public Services and Clearances Office, from 1999G to 2004G

5-3-3-4 Iyad Jabber

Age:	34 years
Nationality:	Jordanian
Current Position:	Legal Advisor/Head of the Legal Department
Date of Appointment:	10/02/2015G
Educational Qualifications:	• Bachelor of Law, University of Jordan, the Hashemite Kingdom of Jordan, 2005G • Law License, Bar Association in Jordan, 2008G
Previous Executive Positions:	• Legal Advisor, Hammouri and Partners Law Firm, 2008G • Legal Advisor, Egyptian Arab Land Bank, from 2008G to 2009G • Legal Advisor, SMAS-IP for Intellectual Property, 2009G • Legal Advisor, Nabulsi and Associates Law Firm, 2010G • Senior Legal Advisor, Gulf Legal consultants, from 2010G to 2015G

5-3-3-5 Basel Alarian

Age:	51 years
Nationality:	Jordanian
Current Position:	Head of the Structural Steel Division
Date of Appointment:	05/01/1998G
Educational Qualifications:	• Bachelor of Mechanical Engineering, Middle East Technical University, Turkey, 1989G
Previous Executive Positions:	• Project Manager, Saudi Jordanian Company, from 1989G to 1997G • Marketing and Sales Manager, Steel Structures Division, GSW, from 1998G to 2000G • Engendering Designs Manager, Steel Structures Division, GSW, from 2000G to 2001G • Project Manager, Steel Structures Division, GSW, from 2001G to 2003G • Operation Manager, Steel Structures Division, GSW, from 2003G to 2009G

5-3-3-6 Ajay Razood

Age:	45 years
Nationality:	Indian
Current Position:	Head of the Quality Control Department
Date of Appointment:	6/02/1996G
Educational Qualifications:	• Diploma in Mechanical Engineering, K.J. Polytechnic Bharuch Institute, India, 1993G
Previous Executive Positions:	• Quality Control Inspector, Larsen and Toubro Limited, from 1988G to 1996G • Quality Control Supervisor, GSW, from 1996G to 2001G

5-3-3-7 Shakeel Ahmed Abdul Hamid

Age:	45 years
Nationality:	Pakistani
Current Position:	Head of the Procurement Department
Date of Appointment:	25/11/2012G
Educational Qualifications:	• Bachelor of Arts, University of Karachi, Pakistan, 1994G
Previous Executive Positions:	• Material Estimator, Pakistan Navy Dockyard, from 1994G to 1995G • Procurement and Planning and Logistics Specialist, King Faisal Naval Base, from 1995G to 2007G • Head of the Procurement Division, Rockmore Engineering Company, from 2007G to 2008G • Procurement Supervisor, Al-Bassam Group, from 2008G to 2012G • Senior Procurement Engineer, GSW, from 2012G to 2015G

5-3-3-8 Rajiv Sharma

Age:	56 years
Nationality:	Indian
Current Position:	Head of Marketing and Sales Department
Date of Appointment:	10/09/1997G
Educational Qualifications:	• Bachelor of Mechanical Engineering, Bangalore University, India, 1985G. • Diploma of Business Administration, Birla Institute of Management Technology, 1989G
Previous Executive Positions:	• Marketing and Sales Manager, several industrial projects, India, from 1985G to 1996G

5-3-3-9 Jayesh Pateel

Age:	38 years
Nationality:	Indian
Current Position:	Head of Information Technology
Date of Appointment:	28/02/2009G
Educational Qualifications:	• Diploma of Electronics and Computer Systems, Radio and Technology Institute, India, 2000G
Previous Executive Positions:	• Computer Technician, Steak Computer Ltd., from 1999G to 2002G • Senior Computer Technician, Kosha Computers Company, from 2002G to 2004G • First Computer Technician, S.N Enterprise, from 2004G to 2006G • Systems and Lotus System Advisor, Pyramid Consulting Ltd., from 2006G to 2007G

5-3-3-10 Saad Ali Khan

Age:	27 years
Nationality:	Pakistani
Current Position:	Head of Internal Audit Department
Date of Appointment:	19/03/2017G
Educational Qualifications:	• Bachelor of Commerce, University of Karachi, Pakistan, 2010G
Previous Executive Positions:	• Senior Advisor, Ernst and Young, from 2012G to 2016G • Head of the Internal Audit Department, Pan Gulf Industrial Investment Group, from 2016G to 2017G

5-3-3-11 Shafiq Ahmed Sirajuddin

Age:	33 years
Nationality:	Indian
Current Position:	Head of the Skids Division
Date of Appointment:	4/05/2014G
Educational Qualifications:	• Bachelor of Monitoring and Control Engineering, Anna University, India, 2005G
Previous Executive Positions:	• Monitoring and Control Engineer, Trident Kotank Private Limited, from 2005G to 2007G • Quality Control Supervisor, Mohammad Al Mojil Group, from 2007G to 2008G • Project Engineer, Khaled AlGhobaini Contracting Company, from 2008G to 2009G • Senior Project Manager, Airdaldy Company, from 2009G to 2014G

5-3-3-12 Mansour Hashemi

Age:	37 years
Nationality:	Pakistani
Current Position:	Head of the Process Equipment Division
Date of Appointment:	25/11/2013G
Educational Qualifications:	• Bachelor of Commerce and Business Administration, Preston Institute of Management Science and Technology, Pakistan, 2012G
Previous Executive Positions:	• Planning and Cost Supervisor, Nasser bin Hazza and Brothers Company, from 2001G to 2005G • Project Control Supervisor, SNC-Lanvin Company, from 2005G to 2009G • Cost and Planning Supervisor, Jacobs Oil Co., from 2009G to 2011G • Project Control Manager, Mustang Engineering Company, from 2011G to 2013G

5-3-3-13 Bobby Philip

Age:	48 years
Nationality:	Indian
Current Position:	Head of the Site Fabricated Tanks Division
Date of Appointment:	13/03/2014G
Educational Qualifications:	• Bachelor of Mechanical Engineering, Bangalore University, India, 1996G.
Previous Executive Positions:	• Project Engineer, Sartorius Biotech India, from 1992G to 1993G • Project Engineer, Rawlins Engineering, from 1993G to 1996G • Project Engineer, H. K. Al Sadiq Sons Contracting Co. Ltd., from 1996G to 1998G • Planning Engineer, Saudi Aramco, from 1998G to 2002G • Design Engineer, Saudi Aramco, from 2002G to 2003G • Project Supervisor, H. K. Al Sadiq Sons Contracting Co. Ltd., from 2003G to 2005G • Project Supervisor, Lahoud Engineering Company Limited, from 2005G to 2006G

5-3-3-14 David Tailor

Age:	61 years
Nationality:	British
Current Position:	Head of the Weld Overlay Cladding Division
Date of Appointment:	7/08/2016G
Educational Qualifications:	• Diploma of Engineering Welding and Trade Engineering Studies, City College, London, UK, 1975G
Previous Executive Positions:	• Multiple Code Pipe Welding Technician, Prodax Ltd., from 1997G to 2000G • Operations Manager, DT Welding Services Ltd., from 2000G to 2007G • Operations Manager, EODS Limited, from 2007G to 2012G • Operations Manager and Supervisor, Moment Engineering, from 2013G to 2014G • Production Manager, Cladtech B Metals, from 2013G to 2014G • Operations Manager, World Energy Resources Limited, from 2014G to 2015G

5-4 Corporate Governance

Corporate Governance aims to provide a series of relationships between the Company, Senior Management, the Board of Directors, Shareholders and other stakeholders, in a manner that describes the Company's goals and the methods of achieving such goals. The Company has a clear distribution of responsibilities between the Board and the Company's senior management.

With regards to Company's commitment to Corporate Governance Regulations, the Company is committed to most of the mandatory articles of the Corporate Governance Regulations. The Company is committed to, including but not limited to, Paragraph (D) of Article No. (15) under which Shareholders are allowed to review the minutes of the General Assembly and Paragraph (2) of Article No. (16) because the majority of Directors are not executives. The Company also complies with Articles Nos. (50) and (54) of the Corporate Governance Regulations because the Board of Directors formed an Audit Committee consisting of three non-executive Directors, as well as a Nomination and Remuneration Committee on 05/08/1438H (corresponding to 01/05/2017G). The Company developed internal governance regulations that include all mandatory articles of the Corporate Governance Regulations, which was approved by the Board of Directors in its meeting held on 18/10/1438H (corresponding to 12/07/2017G).

The Company's Governance Regulations include, inter alia:

- Policies and procedures of the Board of Directors;
- Policies for conflicts of interest of Directors;
- Policies and principles for the Committees formed by the Board of Directors;
- Control, assessment, internal and external audit works, and policies for internal control;
- Disclosure and transparency policies;
- A charter for the Audit Committee; and
- A charter for the Nomination and Remuneration Committee.

The Company is committed to comply with the following articles of the corporate Governance Regulations: Paragraph (e) of Article (15), which obligates companies to disclose to the public and to notify the Authority and the market of the results of the General Assembly immediately upon its conclusion; Paragraph (b) of Article 19, which requires companies to immediately notify the Authority and the market upon termination of membership in the Board of Directors; and Article (90), which sets out what the Board of Directors' report should include disclosure of its operations during the most recent financial year and all factors that affect the Company's business due to the fact that the Company, as on the date of submission of this Prospectus, is not a listed company. The Company undertakes to comply with these articles as soon as the CMA issues approval for the listing of the Shares.

The Company confirms its commitment to the following articles of the Companies Law: Article No. (71), which stipulates that 'A board member may not have any direct or indirect interest in transactions or contracts made for the company, except with a prior authorization from the ordinary General Assembly. Such authorization shall be renewed annually'; Article No. (72), which provides: 'A board member may not engage in any act or business that may compete with the Company. Otherwise, the Company shall have the right to petition the competent judicial authority to claim appropriate damages, unless such member has prior authorization, annually renewed, from the ordinary General Assembly'; and Article No. (73), which states: 'A joint stock company may not grant any loan whatsoever to any of its board members or shareholders, nor provide guarantees for any loan agreement they conclude with a third party' in addition to the exceptions mentioned in this Article. The Company shall also commit to the following Articles of the Corporate Governance Regulations: Article No. (44), which involves the commitments of Board Members regarding avoiding conflicts of interests; and Article No. (46), which provides what a Board Member must do when desiring to engage in business that may compete with the Company

or any of its activities, knowing that the Company has been converted into a closed joint stock company for less than one year. Article No. (44) (b) (1) stipulates: 'Voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if he/she has a direct or indirect interest therein'. Also, Article No. (71) of Companies Law provides for those commitments set out in Article No. (44) (b) (1) of the Corporate Governance Regulations in addition to the following: 'A board member may not have any direct or indirect interest in transactions or contracts made for the Company, except with a prior authorization from the ordinary General Assembly. Such authorization shall be renewed annually. The board member shall notify the Board of Directors of any direct or indirect interest he/she may have in the transactions or contracts made for the Company. Such notification shall be recorded in the minutes of the board meeting. Said member may not participate in voting on the resolution to be issued on this matter by the Board of Directors and the Assembly of Shareholders. The Chairman of the Board shall inform the General Assembly, when it convenes, of transactions and contracts in which a board member has a direct or indirect interest, providing a special report from the Company's external auditor'. Article No. (46) of Corporate Governance Regulations stipulates: 'If a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be done:

- The Board shall be notified of the competing businesses that he/she desires to engage in and shall record such notification in the minutes of the Board meeting;
- The conflicted Director shall abstain from voting on the related decision in the Board meeting and General Assemblies;
- The Chairman of the Board shall inform the ordinary General Assembly, once convened, of the competing businesses that the Director is engaged in; and
- Prior authorization shall be obtained from the ordinary General Assembly of the Company for the Director to engage in the competing business, provided that such authorization shall be renewed annually. Article No. 72 of Companies Law states the same commitments mentioned in Article No. (46) of the Corporate Governance Regulations.

The Board of Directors of the Company shall consist of six Directors including one independent Director. The Board shall ensure inter alia that:

- All Committees will have clear competencies that outline the roles and responsibilities of each Committee; and
- Minutes of all meetings are prepared, reviewed and approved by the Board of Directors'.

5-5 Information on the Board of Directors' Committees

The Board of Directors shall form committees to improve and benefit from the Company's management, and each Committee shall have clear rules defining its roles, authorities and responsibilities. In addition, minutes must be prepared at all meetings of each Committee (such minutes shall be reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities, and current members of each Committee:

5-5-1 Audit Committee

The Audit Committee shall supervise the management of financial risks as well as aspects related to internal control of the Company's operations. It shall be responsible, inter alia, for:

- Supervising the Company's Internal Audit Department to ensure its effectiveness in executing the activities and duties assigned by the Board of Directors;
- Studying and commenting on the internal control system, as well as well as submitting recommendations thereon to the Board of Directors;
- Reviewing the internal audit plan and procedures, including the views and recommendations of the Committee in this regard;
- Analysing the internal audit reports and following up on the implementation of the corrective measures of the remarks made in such reports;
- Providing recommendations to the Board of Directors to nominate Auditors, dismiss them and determining their fees, after verifying their independence during submission of recommendations;
- Following up on the work of Auditors, and approving any work beyond the scope of audit function assigned to them during their audit;
- Reviewing, with the auditor, the audit plan and making any comments thereon;
- Reviewing the Auditor's findings on the financial statements and following-up on actions taken in this regard;
- Analysing the interim and annual financial statements before presenting them to the Board of Directors and providing its opinion and recommendations on these statements to the Board of Directors; and
- Examining the accounting policies adopted by the Company and submitting its recommendations thereon to the Board of Directors.

The Audit Committee shall consist of three (3) members appointed by the Board of Directors for three (3) years.

The following members were appointed to the Audit Committee during the ordinary General Assembly's' meeting held on 18/10/1438H (corresponding to 12/07/2017G).

Table 32: Members of the Audit Committee

	Name	Title
1	Hamad Abdullah AlOlayan	Chairman
2	Faisal Abdulfattah Mohammed	Member
3	Mohammed Fahad bin Saja	Member

Source: The Company

The following is a brief overview of the Audit Committee's members:

Hamad Abdullah AlOlayan

Please see Section (5.3.1.6) for the curriculum vitae of Hamad Al Olayan.

Faisal Abdulfattah Mohammed

Please see Section (5.3.1.3) for the curriculum vitae of Faisal Mohammed.

Mohammed Fahad bin Saja

Please see Section (5.3.1.4) for the curriculum vitae of Mohammed bin Saja.

5-5-2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall supervise the nomination of Board members, together with the remuneration policy of the Company's Board and Senior Management members. The Nomination and Remuneration Committee's responsibilities and functions shall include the following:

- Annually reviewing the required skills and required for the membership of the Board and submit recommendations thereon to the Board;
- Annually ensuring the independence of the independent directors and the absence of any conflict of interest if a Director also acts as a director of another company;
- Making recommendations to the Board regarding nominees to the various Committees of the Board;
- Assisting the Board in the selection and qualification of nominees for Board membership and the preparation of a long-term succession plan when necessary;
- Making its recommendations on the Company's goals related to the CEO long-term succession when necessary; and
- Reviewing the remuneration of the members of the Board and all Committees.

The Nomination and Remuneration Committee shall consist of three (3) members appointed by the Board of Directors for terms of three (3) years.

The following members were appointed to the Nomination and Remuneration Committee at the Board of Directors' meeting held on 18/10/1438H (Corresponding to 12/07/2017G).

Table 33: Nomination and Remuneration Committee Members

	Name	Title
1	Khalid Abdulaziz AlHamdan	Chairman
2	Salah Attiah AlOtaibi	Member
3	Mohammed Fahad bin Saja	Member

Source: The Company

The following is a brief overview of the Nomination and Remuneration Committee:

Khalid Abdulaziz AlHamdan

Please see Section (5.3.1.1) for the curriculum vitae of Khalid AlHamdan.

Salah Attiah AlOtaibi

Please see Section (5.3.1.2) for the curriculum vitae of Salah AlOtaibi.

Mohammed Fahad bin Saja

Please see Section (5.3.1.4) for the curriculum vitae of Mohammed bin Saja.

5-6 Conflicts of Interest

Neither the Company's bylaws nor any internalregulations or policies grant a Director to vote on a contract or offer in which he/she has direct or indirect interest in, in accordance with Article No. (71) of the Companies Law, which provides that a Board member may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of the Company, except under a prior authorization of the ordinary General Assembly, which shall be renewed annually. According to the provisions of the said Article, a Board member shall inform the Board of whatever personal interests he/she has in the transactions and contracts which are made for the Company's account. The Chairman of the Board shall disclose to the General Assembly, upon convening, transactions and contracts in which any of the Board members has a personal interest in, provided that such disclosure is supported with a special report from the Auditor and such information shall be recorded in the minutes of the Board Meeting. The interested member shall not participate in voting on the resolution to be adopted in this respect. Accordingly, the Board members shall:

- Comply with Articles (71) and (72) of the Companies Law and Article (46) of the Corporate Governance Regulations;
- Not vote on General Assembly resolutions that relate to any related party transactions; and
- Not engage in business competing with the Company's activities, but rather enter into all transactions ahead with related parties on a competitive basis pursuant to Article (72) of the Companies Law.

Moreover, The Board of Directors shall place a clear and written policy dealing with existing or potential conflicts of interest that may affect the performance of the members of the Board of Directors, the Executive Management or any other Company personnel when dealing with the Company or other Stakeholders in accordance with Article (43) of the Companies Law.

6. Management's Discussion and Analysis of Financial Condition and Results of Operations

6-1 Introduction

The following discussion and analysis of the Company's financial position and results of operations is based upon and should be read in conjunction with the Company's financial statements for the financial years ended 31 March 2015G, 2016G and 2017G. The Company's financial statements for the financial year ended 31 March 2015G were audited by Deloitte and Touche, while the financial statements for the financial years ended 31 March 2016G and 2017G were audited by PKF Al Bassam and Al Nemer. The financial statements are included in this Prospectus.

PKF Al Bassam and Al Nemer and Deloitte and Touche do not themselves, nor do any of their affiliates have any shareholding or interest of any kind in the Company. As of the date of this Prospectus, PKF Al Bassam and Al Nemer and Deloitte and Touche have furnished and not withdrawn their written consent to the references in this Prospectus as to their role as auditors of the Company.

This section, which is prepared by the Company's management, may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under Section 2, "Risk Factors".

Please note that figures in this section have been rounded up to the nearest thousand Saudi riyals. As such, if summed, the numbers may differ to those which are stated in the tables. Moreover, all percentages, margins, and compound annual growth rates ("CAGR") are rounded to one percentage point.

6-2 Directors' Declaration for Financial Information

The Board of Directors declare that:

- To the best of their knowledge and belief, the financial information presented in this section is extracted without material changes from the audited financial statements of the Company for the financial years ended 31 March 2015G, 2016G and 2017G. Furthermore, the financial information is presented in a manner consistent with the Company's audited annual financial statements.
- There has been no material adverse change in the financial or trading position of the Company during the three fiscal years immediately preceding the date of this Prospectus and up to 31 March 2017G, and up to the date of this Prospectus.
- The Company has sufficient funds to meet the working capital requirements for 12 months immediately following the date of publication of this Prospectus.
- No shares of the Company were under option as of the date of this Prospectus.
- Save as disclosed herein, there are no other mortgages, rights and charges on the Company's properties as of the date of this Prospectus, except as mentioned elsewhere in this Prospectus.
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in connection to the issue or sale of any securities in the three years immediately preceding the date of this Prospectus.
- As per Management, the Company does not own any holdings in contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty, or that might significantly affect the assessment of the Company's financial position.

6-3 Principal Factors Affecting the Company's Financial Results

6-3-1 Dependence on the oil and gas industry

The Company's performance significantly depends on the level of domestic oil and gas activity (i.e., exploration and production activity). Despite the Government's initiative to diversify its sources of income, the Saudi economy is still principally dependent on the oil sector.

Fluctuations in oil prices (especially when such prices drop significantly) directly affect the Saudi economy and companies operating in the Kingdom in general (including the Company).

6-3-2 Concentration of revenue

Oil and gas companies and EPC contractors dominate the Company's top customers. The Company's top five customers (Saudi Aramco, Saudi Arabian Mining Company "Maaden", Snamprogetti Saudi Arabia Company Limited, Saipem, and SEPCO), on the basis of total sales over 2015G, 2016G and 2017G, combined, constituted 50.2% of total sales. Loss of business or a decline in trading with the Company's key customers may have a significant impact on its financial performance.

The longstanding relationship with oil and gas companies coupled with the Company's unique strategic advantages (e.g., being the only approved Saudi-based supplier of metering skids and one of very few worldwide) are considered factors that present the Company with the opportunity to strengthen and develop an uninterruptible business relationship with its key customers.

6-3-3 Cost of raw material and product components

The Company purchases raw material and other product components from domestic and foreign suppliers. Purchases from foreign suppliers are predominantly denominated in US dollars. Due to the fixed exchange rate between SAR and US dollars, the Company's exposure to fluctuations in exchange rates while conducting transactions with foreign suppliers is relatively low.

The Company uses carbon and stainless steel in building steel structures. Vendor steel prices (whether domestic or foreign) are subject to fluctuations due to global demand and supply factors. The Company manages the risk of fluctuations in steel prices through adopting an order driven business plan whereby it quotes prices to customers based on current input prices and buys / procures the raw materials immediately upon order confirmation. Hence it does not maintain significant raw material inventories which are not associated with an awarded order.

However, a significant increase in raw material prices may have a direct impact on the level of demand for the Company's products.

6-3-4 Competitive threats

Notwithstanding the market barriers to entry and the Company's longstanding relationship with its major customers, foreign market entrants present a competitive threat. The Company recently faced increased competition from foreign competitors, which are benefiting from lower engineering and manufacturing costs, enabling them to offer competitive prices. The growing competition, whether foreign or domestic, may affect the Company's financial performance.

6-3-5 Manpower risks and related regulatory risks

The Company employs a large number of Saudi and non-Saudi employees. Certain aspects of the Company's operations largely depend on the availability of highly qualified and skilled workforce. As part of its national duty, the Company is committed to achieving the required Saudization levels and providing suitable job opportunities for talented nationals. Due to the size of its workforce, the Company's labour and staff costs represent a significant portion of its direct costs and operating expenses. Accordingly, the financial performance of the Company is vulnerable to an increase in staff costs, either through increased average salaries as a result of Saudization requirements or changes to the Ministry of Labour's regulations concerning expatriate employees.

6-3-6 Seasonal factors

Overall, the Company is not exposed to material seasonal factors that affect its results of operations or financial position. However, the Company exhibits a noticeable decline in sales during the holy month of Ramadan as a result of the slowdown in market activity coupled with shorter working hours. This trend is generally regarded as an industry norm.

6-4 Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The following section provides a summary of the main accounting policies adopted by the Company in preparing its financial statements.

6-5 Main Accounting Policies

6-5-1 Accounting convention

The financial statements are prepared under the historical cost convention.

6-5-2 Revenue recognition

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Progress payment and advance received from customers with respect to customers are deducted from the amount of contract work in progress and excess payment on contract, if any are shown as a liability.

Revenue from short term contracts is recognized when goods and services are accepted by the customer, in accordance with the terms of the contracts. Revenue from sale of goods is recognized upon delivery of goods to customers.

Unbilled revenue included in the current assets represents costs incurred plus recognized profits (less recognized losses) that exceed the progress billings as of the balance sheet date. These amounts are billed in the subsequent period.

6-5-3 Expenses

Sales and marketing expenses principally consist of costs incurred in marketing and sales of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

6-5-4 Accounts receivable

Account receivables are carried at their original amount less the provision made for doubtful debts. An allowance for doubtful debts is established when there is significant doubt that the Company will be able to collect all amounts due according to the original terms of account receivables.

6-5-5 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-process includes cost of raw materials, labour and an appropriate proportion of direct overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Allowance is made, where necessary, for obsolete slow moving and damaged stocks.

6-5-6 Investments

Investments in companies which are wholly owned and whose equity rights are assigned to a holding company are not restricted because they are ultimately consolidated at the holding company level.

6-5-7 Property and equipment

Property and equipment held for use in the production of or supply of goods or services or for administrative purposes are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable property and equipment using the straight-line method. Leasehold improvements over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of property and equipment are as follows:

Class	Years
Buildings	3-33
Machinery and equipment	3-20
Vehicles	4-5
Furniture, fixtures and office equipment	4-5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising in the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

6-5-8 Intangible assets

Intangible assets comprise mainly pre-operating expenses relating to new production facilities and implementation cost of software fees incurred in connection with the loan obtained from the financial institutions. These are amortized, using the straight-line method over a period of 1 to 15 years.

6-5-9 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

6-5-10 Borrowing costs

Borrowing costs directly attributable to a project under construction are added to the cost of the project until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowings costs eligible for capitalization. All other interest costs are charged to statement of income.

6-5-11 End of service indemnities

End of service indemnities, required by Saudi Arabian labour law, are provided in the financial statements based on the employees' length of service.

6-5-12 Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

6-5-13 Provisions for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6-5-14 Zakat

Zakat for the Company is filed with the General Authority of Zakat and Tax (GAZT) on a consolidated basis by the holding company, Pan Gulf Industrial Investment Company. Consequently, provision for Zakat and the related note disclosures are reported in the consolidated financial statements of the holding company.

6-5-15 Foreign currency translation

Foreign currency translations are translated into Saudi riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

6-5-16 Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

6-6 Results of Operations - Income Statement

The following table presents the Company's income statement for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 34: Income statement

SAR in 000's	Financial year ended 31 March			Increase/(Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Revenue						
Structural steel	244,279	172,871	248,197	(29.2%)	43.6%	0.8%
Process equipment	43,461	72,761	119,661	67.4%	64.5%	65.9%
Skids	48,674	156,975	362,542	222.5%	131.0%	172.9%
Site Fabricated Tanks	53,301	129,205	113,881	142.4%	(11.9%)	46.2%
Cladding	-	-	111	-	-	-
Total revenue	389,715	531,812	844,392	36.5%	58.8%	47.2%
Direct costs	(326,519)	(427,345)	(670,159)	30.9%	56.8%	43.3%
Gross profit	63,195	104,467	174,233	65.3%	66.8%	66.0%
Operating expenses						
Sales and marketing expenses	(3,796)	(5,073)	(5,613)	33.6%	10.7%	21.6%
Provision for doubtful debts	(3,900)	(8,500)	(4,838)	117.9%	(43.1%)	11.4%
General and administrative expenses	(29,998)	(33,151)	(40,209)	10.5%	21.3%	15.8%
Operating income	25,502	57,744	123,572	126.4%	114.0%	120.1%
Finance charges	(8,176)	(6,434)	(13,412)	(21.3%)	108.5%	28.1%
Other (expenses) income	84	86	(3,473)	2.4%	(4,138.4%)	-
Net income for the year	17,409	51,397	106,687	195.2%	107.6%	147.6%
As a percentage of revenue						
Direct costs	83.8%	80.4%	79.4%	-	-	-
Gross profit margin	16.2%	19.6%	20.6%	-	-	-
Sales and marketing expenses	1.0%	1.0%	0.7%	-	-	-
Provision for doubtful debts	1.0%	1.6%	0.6%	-	-	-
General and administrative expenses	7.7%	6.2%	4.8%	-	-	-
Operating income margin	6.5%	10.9%	14.6%	-	-	-
Finance charges	2.1%	1.2%	1.6%	-	-	-
Other (expenses) income	0.0%	0.0%	0.4%	-	-	-
Net profit margin	4.5%	9.7%	12.6%	-	-	-

Source: Audited financial statements

The Company's reported revenue grew by 36.5% or SAR 142.1 million in 2016G, from SAR 389.7 million in 2015G to SAR 531.8 million in 2016G. This year-on-year growth in total revenue was primarily driven by the increase in the number of secured and executed projects in light of the higher demand for technologically advanced oil well management and metering systems. The value of contracts involving a category of projects based on completion rates increased from SAR 360.6 million in 2015G to SAR 985.7 million in 2016G, with an additional increase of SAR 1,315.8 million in 2017G.

In 2017G, however, the Company reported a higher growth in total revenue of 58.8% or SAR 312.2 million, from SAR 531.8 million in 2016G to SAR 844.4 million in 2017G. This was principally stimulated by a relatively higher backlog of revenue on ongoing projects as well as new high-ticket projects for the supply of chemical injection and metering skids. Most of the new projects fall under the category of skids projects, as the Company was able to acquire several projects for supply of chemical skids (five new projects).

Total direct costs increased by 30.9% or SAR 100.8 million, from SAR 326.5 million in 2015G to SAR 427.3 million in 2016G, and increased further by 56.8% or SAR 246.0 million, from SAR 427.3 million in 2016G to SAR 673.4 million in 2017G. This increase in total direct costs primarily resulted from the increase in direct labour costs of SAR 143.4 million between 2016G and 2017G due to the increase in headcount of labour to cope with the increase in business activity between 2015G and 2017G.

Overall, the Company's total revenue grew at a CAGR of 47.2% between 2015G and 2017G whereas total direct costs grew at a slightly lower CAGR of 43.3% during the same period.

The Company's gross profit grew by 65.3% or SAR 41.3 million in 2016G, from SAR 63.2 million in 2015G to SAR 104.5 million in 2016G. In 2017G, the Company's gross profit grew by 66.8% or SAR 69.8 million, from SAR 104.5 million in 2016G to SAR 174.2 million in 2017G. The increase in gross profit between 2015G and 2017G was driven by the increase in revenue and the acquisition of additional projects for the supply of skids, as the Company acquired about five new projects for supply of skids, which generate relatively higher profit margins. High margins are attributed to the nature of the work carried out in these projects, which require the implementation of skids and standards with highly precise techniques and specifications.

Operating expenses increased by 24.0% or SAR 9.0 million in 2016G, from SAR 37.7 million in 2015G to SAR 46.7 million in 2016G. This increase was mainly triggered by an increase in provisions for doubtful debts and general and administrative expenses by 117.9% and 10.5% or SAR 4.6 million and SAR 3.2 million respectively. Such increase in provisions for doubtful debts is due to high amounts of receivables that have not been paid during normal payment periods and have been classified as doubtful debts, while the increase in general and administrative expenses is driven by higher salaries of administrative staff. Sales and Marketing expenses also increased by 33.6% or SAR 1.2 million due to an increase in the salaries of the Sales and Marketing Department's staff.

In 2017G, total operating expenses increased by 8.4% or SAR 3.9 million, from SAR 46.7 million in 2016G to SAR 50.7 million in 2017G, mainly as a result of an increase in general and administrative expenses by 21.3% or SAR 7.1 million, mainly on the back of an increase in administrative headcount and salaries, given that the number of administrative staff increased from 156 in 2016G to 363 in 2017G.

The increase in general and administrative expenses by SAR 7.1 million between 2016G and 2017G was offset by a 43.1% or SAR 3.7 million decrease in provisions for doubtful debts, given that no additional provisions relating to doubtful receivables were recorded during 2016G. Sales and marketing expenses remained relatively stable, as such expenses increased by 10.7% or SAR 0.5 million in 2017G.

The Company's financial burdens decreased by 21.3% or SAR 1.7 million in 2016G, from SAR 8.2 million in 2015G to SAR 6.4 million in 2016G. This was predominantly attributable to the decrease in promissory note commissions by SAR 1.2 million. In 2017G, financial charges increased by 108.5% or SAR 7.0 million, from SAR 6.4 million in 2016G to SAR 13.4 million in 2017G. This movement was primarily driven by the increase in promissory note commissions and borrowing charges by SAR 4.9 million and SAR 2.0 million respectively.

Other (expenses) income broadly consisted of immaterial gains/losses on disposal of fixed assets and scrap sales. The Company incurred other expenses of SAR 3.5 million during 2017G, which was paid to an EPC contractor as the result of a legal dispute between the two parties.

Net income grew by 195.2% or SAR 34.0 million in 2016G, from SAR 17.4 million in 2015G to SAR 51.4 million in 2016G. This growth was mainly driven by the increase in reported revenue by SAR 142.1 million after the Company's acquisition of new projects, coupled with a decrease in the common size of direct costs from 83.8% in 2015G to 80.4% in 2016G (i.e., the gross profit margin increased from 16.2% in 2015G to 19.6% in 2016G), whilst the common size of operating expenses, finance charges and other (expenses) income remained proportionately stable. In accordance, the net profit margin increased from 4.5% in 2015G to 9.7% in 2016G.

The Company reported an increase in net income by 107.6% or SAR 55.3 million, from SAR 51.4 million in 2016G to SAR 106.7 million in 2017G. This growth principally resulted from a further growth in revenue of SAR 312.6 million as well as a decrease in the common size of direct costs to 79.4% (i.e., the gross profit margin increased to 20.6%). Accordingly, the net profit margin increased to 12.6% in 2017G.

6-6-1 Division profitability analysis

The following table presents the Company's revenue, direct costs and gross profitability per division for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 35: Division profitability analysis

SAR in 000's	Financial year ended 31 March			Contribution			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Revenue									
Structural steel	244,279	172,871	248,197	62.7%	32.5%	29.4%	(29.2%)	43.6%	0.8%
Process equipment	43,461	72,761	119,661	11.2%	13.7%	14.2%	67.4%	64.5%	65.9%
Skids	48,674	156,975	362,542	12.5%	29.5%	42.9%	222.5%	131.0%	172.9%
Site Fabricated Tanks	53,301	129,205	113,881	13.7%	24.3%	13.5%	142.4%	(11.9%)	46.2%
Cladding	-	-	111	-	-	0.0%	-	-	-
Total revenue	389,715	531,812	844,392	100.0%	100.0%	100.0%	36.5%	58.8%	47.2%
Direct costs									
Structural steel	208,315	151,706	230,826	63.8%	35.5%	34.4%	(27.2%)	52.2%	5.3%
Processing equipment	33,190	55,074	98,758	10.2%	12.9%	14.7%	65.9%	79.3%	72.5%
Skids	42,181	115,919	245,868	12.9%	27.1%	36.7%	174.8%	112.1%	141.4%
Site fabrication	42,833	104,645	93,626	13.1%	24.5%	14.0%	144.3%	(10.5%)	47.8%
Cladding	-	-	1,080	-	-	0.2%	-	-	-
Total direct costs	326,519	427,345	670,159	100.0%	100.0%	100.0%	30.9%	56.8%	43.3%
Gross profit									
Structural steel	35,963	21,165	17,371	56.9%	20.3%	10.0%	(41.1%)	(17.9%)	(30.5%)
Processing equipment	10,271	17,686	20,902	16.3%	16.9%	12.0%	72.2%	18.2%	42.7%
Skids	6,493	41,056	116,674	10.3%	39.3%	67.0%	532.3%	184.2%	323.9%
Site Fabricated Tanks	10,468	24,560	20,255	16.6%	23.5%	11.6%	134.6%	(17.5%)	39.1%
Cladding	-	-	(969)	-	-	(0.6%)	-	-	-
Total gross profit	63,195	104,467	174,233	100.0%	100.0%	100.0%	65.3%	66.8%	66.0%
Gross margins									
Structural steel	14.7%	12.2%	7.0%						
Processing equipment	23.6%	24.3%	17.5%						
Skids	13.3%	26.2%	32.2%						
Site Fabricated Tanks	19.6%	19.0%	17.8%						
Cladding	-	-	(873.0%)						

Source: Management information

6-6-1-1 Structural steel

The Structural Steel Division engages in sourcing steel columns and building steel structures based on customer designs. Revenue from structural steel works is recognized upon delivery of finished structures.

6-6-1-1-1 Revenue

This Division accounted for 37.7% of total revenue between 2015G and 2017G. In 2016G, revenue generated by this Division decreased by 27.2% or SAR 71.4 million, from SAR 244.3 million in 2015G to SAR 172.9 million in 2016G. This was due to a decline in the average price per ton of steel from SAR 7,461 in 2015G to SAR 6,263 in 2016G coupled with a decline in the traded volume from 32,742 tons in 2015G to 27,603 tons in 2016G. This movement was mainly influenced by a large-scale project that took place in 2015G, on which the Company charged a relatively higher price per ton (by benefiting from a favourable movement in global steel prices whereby sale price was fixed in the contracts for customers; consequently, the sale price was not affected by the decline in international prices, while the Company managed to purchase steel at lower prices).

In 2017G, revenue generated by this Division increased by 43.4% or SAR 75.0 million, from SAR 172.9 million in 2016G to SAR 247.8 million in 2017G. This increase was principally driven by a recovery in the traded volume of steel to 39,237 tons, while the average price per ton remained somewhat stable at SAR 6,317. The increase in traded volume of steel was due to new projects in connection with a key EPC contractor, i.e. Snamprogetti Saudi Arabia Company Limited, and a high backlog of revenue from ongoing projects since 2016G.

6-6-1-1-2 Cost of Revenue

Direct costs of the Structural Steel Division are predominantly in the form of direct labour costs and costs associated with the procurement of steel columns. On average, direct labour and direct material costs accounted for 24.3% and 50.6%, respectively, of this Division's total direct costs between 2015G and 2017G.

6-6-1-1-3 Gross Profit

The reported gross profit of the Structural Steel Division declined at a CAGR of 30.5%, from SAR 36.0 million in 2015G to SAR 21.2 million and SAR 17.4 million in 2016G and 2017G respectively. The decrease in reported gross profit by this Division between 2015G and 2016G was due to the decline in sales and pressure on profit margins resulting from additional costs due to delays in execution of certain projects. Note that the gross profit margin of this division declined from 14.7% in 2015G to 12.2% in 2016G.

Moreover, the decline in reported gross profit of this Division during 2017G was due to an increase in production costs resulting from the procurement of temporary manpower through labour supply agencies to cope with the greater load of business. This factor also explains the decrease in the gross profit margin of this Division to 7.0% in 2017G. It should be noted that the Company has entered into two contracts with two agencies to provide employment, and the term of these contracts is two years automatically renewed.

6-6-1-2 Process equipment

The Process Equipment Division engages in manufacturing and mending pressure vessels, heat exchangers, fan air coolers, shop fabricated tanks and providing pipe spool works. Revenue from the supply of processing equipment and related services is recognized on percentage of completion basis.

6-6-1-2-1 Revenue

This Division constituted 13.4% of total revenue between 2015G and 2017G. In 2016G, revenue generated by this Division increased by 67.4% or SAR 29.3 million, from SAR 43.5 million in 2015G to SAR 72.8 million in 2016G. This increase was primarily driven by a new project for the supply of heat exchangers (super heaters) to a major domestic petrochemical company, through which the Company generated revenue of SAR 24.3 million.

In 2017G, revenue generated by this Division increased by 64.5% or SAR 46.9 million, from SAR 72.8 million in 2016G to SAR 119.7 million in 2017G. Overall, this was stimulated by an increase in the scale of business under this Division, particularly in the area of pipe spooling and fabrication works on skid base frames. Such works generated revenue of SAR 45.8 million in 2017G.

6-6-1-2-2 Cost of Revenue

Direct costs of the Process Equipment Division are largely composed of direct labour costs and direct material (e.g., carbon steel and stainless-steel pipes, flanges and steel plates). On average, direct labour and direct material costs constituted 45.5% and 34.5%, respectively, of this Division's total direct costs between 2015G and 2017G. The cost of revenues relating to operations equipment department increased from SAR 33.2 million during 2015 to SAR 55.1 million during 2016G, along

with an additional increase of SAR 98.8 million in 2017G. This increase was driven by higher direct labour and material costs due to the new projects acquired by the department, which was the main reason for the growth in revenues between 2015G and 2017G.

6-6-1-2-3 Gross Profit

The reported gross profit of the Process Equipment Division increased at a CAGR of 42.7%, from SAR 10.3 million in 2015G to SAR 17.7 million and SAR 20.9 million in 2016G and 2017G respectively. The increase in reported gross profit by this Division between 2015G and 2016G was broadly in line with the increase in revenue, while the gross profit margin remained rather stable (i.e., 23.6% and 24.3% in 2015G and 2016G respectively).

While the reported gross profit of this Division increased by 18.2% during 2017G, the gross profit margin declined by 6.8% to 17.5%. This decline in profit yield resulted from losses in certain projects due to infrequent technical cost overruns.

6-6-1-3 Skids

The Skids Division engages in developing and supplying metering skids, truck skids, surge/pressure relief skids, chemical injection skids and filtering skids. Revenue from the supply of skids is recognized on a percentage of completion basis.

6-6-1-3-1 Revenue

On average, this Division accounted for 32.2% of the Company's total revenue between 2015G and 2017G. Revenue reported by the Skids Division registered the highest growth amongst the Company's Divisions at a CAGR of 172.9% between 2015G and 2017G. The key business driver behind this growth stems from higher demand for technologically advanced oil well management and modular systems (i.e., skids that encompass chemical injection and metering applications).

In 2016G, revenue generated by this Division increased by 222.5% or SAR 108.3 million, from SAR 48.7 million in 2015G to SAR 156.0 million in 2016G. This increase was primarily driven by a new project in connection to a major domestic oil and gas company for the supply of modular skids through which the Company generated sales of SAR 111.2 million during 2016G.

In 2017G, revenue generated by this Division increased by 131.0% or SAR 205.6 million, from SAR 157.0 million in 2016G to SAR 362.5 million in 2017G. This increase was also driven by a new high-ticket project awarded by Saudi Aramco whose a major domestic oil and gas company for the supply modular skids, through which the Company generated sales of SAR 223.4 million during 2017G.

6-6-1-3-2 Cost of Revenue

Direct costs of the skids Division are mainly in the form of direct labour costs and direct material (e.g., flanges, valves in various forms, injectors and electrical instruments). On average, direct labour and direct material costs accounted for 6.9% and 82.6%, respectively, of this Division's total direct costs between 2015G and 2017G. Direct labour costs amounted to SAR 8.8 million, SAR 8.9 million, SAR 10.1 million in 2015G, 2016G, and 2017G respectively, while direct material costs amounted to SAR 26.4 million, SAR 93.7 million, and SAR 213.6 million in 2015G, 2016G and 2017G respectively.

6-6-1-3-3 Gross Profit

The reported gross profit of the Skids Division increased at a CAGR of 323.9%, from SAR 6.5 million in 2015G to SAR 41.1 million and SAR 116.7 million in 2016G and 2017G respectively. The increase in reported gross profit by this Division between 2015G and 2017G was generally driven by the growth in scale of business coupled with the acquisition of projects that yield higher margins (e.g., high specification jobs). This is evident in the year-on-year increase in the Division's gross profit margin from 13.3% in 2015G to 26.2% and 32.2% in 2016G and 2017G respectively.

6-6-1-4 Site-Fabricated Tanks

The Site Fabricated Tanks Division engages in fabricating and mending carbon and stainless-steel storage tanks. Revenue from rendering site fabricated tanks and mending services is recognized on percentage of completion basis.

6-6-1-4-1 Revenue

This Division represented 16.8% of total revenue between 2015G and 2017G. In 2016G, revenue generated by this Division increased by 142.4% or SAR 75.9 million, from SAR 53.3 million in 2015G to SAR 129.2 million in 2016G. This increase was primarily driven by two key projects including a major ongoing project that generated sales of SAR 57.3 million in connection to an EPC contractor that engages in building hydrocarbon tanks, as well as a new project that generated sales of SAR 41.5 million in connection to an EPC contractor that engages in providing water management solutions.

In 2017G, revenue generated by this Division decreased by 11.9% or SAR 15.3 million, from SAR 129.2 million in 2016G to SAR 113.9 million in 2017G. This year-on-year movement was due to the decrease in revenue from the aforementioned projects, while new projects did not generate sufficient revenue to offset the shortfall, given most of these projects have reached the final phases of implementation, while the new projects are still in the initial phases of implementation.

6-6-1-4-2 Cost of Revenue

Direct costs of the Site Fabricated Tanks Division primarily consist of direct labour costs and direct material (e.g., steel plates, steel pipes and fittings). Direct labour costs represented 32.6% of the division's total direct costs between 2015G and 2017G, while raw material costs accounted for 32.9% of the total costs of the division between 2015G and 2017G. The labour costs amounted to SAR 10.1 million in 2015G, SAR 31.1 million in 2016G and SAR 37.5 million in 2017G, while direct material costs amounted to SAR 21.6 million in 2015G, SAR 37.0 million in 2016G and SAR 20.9 million in 2017G.

6-6-1-4-3 Gross Profit

In 2016G, the reported gross profit of the Site Fabricated Tanks Division increased by 134.6% or SAR 14.1 million, from SAR 10.5 million in 2015G to SAR 24.6 million in 2016G. This increase in reported gross profit was largely in line with the increase in the Division's reported revenue, while the gross profit margin remained somewhat stable at 19.6% and 19.0% in 2015G and 2016G respectively.

In contrast, this Division registered a decrease in its reported gross profit during 2017G by 17.5% or SAR 4.3 million, from SAR 24.6 million in 2016G to SAR 20.3 million in 2017G. The movement in revenue also influenced this year-on-year movement in gross profitability. However, the gross profit margin of this Division declined to 17.8% in 2017G as a result of delays in execution of certain projects for technical or logistics reasons.

6-6-1-5 Cladding

6-6-1-5-1 Revenue

The Company commenced operations in the Cladding Division during 2017G and generated revenue from cladding services of SAR 0.1 million.

6-6-1-5-2 Cost of Revenue

However, the Cladding Division incurred total direct costs of SAR 1.1 million, which were mainly composed of pre-operating costs including commission and testing costs. Direct costs of the Cladding Division are principally composed of direct labour costs and welding composite costs.

6-6-2 Sales and marketing expenses

The following table presents the Company's sales and marketing expenses for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 36: Sales and marketing expenses

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Salaries and related costs	2,198	3,452	3,530	57.0%	2.3%	26.2%
Business promotion related expenses	1,597	1,620	2,084	1.5%	28.6%	14.2%
Total	**3,796**	**5,073**	**5,613**	**33.6%**	**10.7%**	**21.6%**

Source: Audited financial statements

Sales and marketing expenses are mainly composed of salaries and related costs attributable to marketing staff, as well as exhibition and promotion costs.

Sales and marketing expenses increased by 33.6% or SAR 1.3 million, from SAR 3.8 million in 2015G to SAR 5.1 million in 2016G. The main reason behind this increase in sales and marketing expenses is the increase in salaries and related costs of the marketing staff due to the employment of 15 additional marketing staff.

In 2017G, sales and marketing expenses increased by 10.7% or SAR 0.5 million, from SAR 5.1 million in 2016G to SAR 5.6 million in 2017G. This was due to marginal increases in marketing staff costs and business promotion expenses resulting from the Company's initiative to diversify its customer portfolio and explore new markets.

6-6-3 Provision for doubtful debts

The following table presents the Company's provision for doubtful debts for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 37: Provision for doubtful debts

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Provision for doubtful debts	3,900	8,500	4,838	117.9%	(43.1%)	11.4%
Total	**3,900**	**8,500**	**4,838**	**117.9%**	**(43.1%)**	**11.4%**

Source: Audited financial statements

The Company accounts for doubtful debt provisions or write-downs on a case-by-case basis when it is established that receivable balances are doubtful or unrecoverable.

Provisions for doubtful debts increased by 117.9% or SAR 4.6 million, from SAR 3.9 million in 2015G to SAR 8.5 million in 2016G. This was due to additional provisions for trade receivables and unbilled revenue of SAR 5.5 million and SAR 0.3 million respectively. These were partially offset by a year-on-year decrease in the provision charge for retentions receivables by SAR 1.2 million.

In 2017G, provisions for doubtful debts decreased by 43.1% or SAR 3.7 million, from SAR 8.5 million in 2016G to SAR 4.8 million in 2017G, of which SAR 4.7 million is attributable to retentions receivable which involves amounts held by customers as collateral to be paid following the final delivery of the work by the Company.

6-6-4 General and administrative expenses

The following table presents the Company's general and administrative expenses for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 38: General and administrative expenses

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Salaries and related costs	11,298	12,765	17,360	13.0%	36.0%	24.0%
Training	2,258	2,804	2,603	24.2%	(7.2%)	7.4%
Depreciation and amortization	2,886	2,130	2,291	(26.2%)	7.6%	(10.9%)
Recruitment expenses	2,452	1,846	2,650	(24.7%)	43.5%	4.0%
Insurance	2,361	1,079	1,277	(54.3%)	18.4%	(26.5%)
Accommodation expenses	940	1,185	1,483	26.1%	25.2%	25.7%
Telephone, fax and courier charges	632	332	492	(47.5%)	48.3%	(11.8%)
Management fee	1,620	-	-	(100.0%)	-	(100.0%)
Others	5,551	11,011	12,053	98.4%	9.5%	47.4%
Total	**29,998**	**33,151**	**40,209**	**10.5%**	**21.3%**	**15.8%**

Source: Audited financial statements

General and administrative expenses mainly include administrative salaries and related costs, training costs, indirect depreciation and amortization, recruitment expenses, insurance costs and staff accommodation costs. Total general and administrative expenses increased at a CAGR of 15.8% between 2015G and 2017G, from SAR 30.0 million in 2015G to SAR 33.2 million and SAR 40.2 million in 2016G and 2017G respectively. The year-on-year increase in total GandA expenses was primarily driven by the year-on-year increase in salaries and related costs.

In 2016G, general and administrative expenses increased by 10.5%, from SAR 30.0 million in 2015G to SAR 33.2 million in 2016G. This was mainly due to an increase in salaries and related costs by SAR 1.5 million as a result of incremental salary increases. Moreover, 'others' increased by SAR 5.4 million due to the increase in several miscellaneous expenses. The increases in administrative staff costs and 'others', amongst other marginal increases in general and administrative cost

elements, were offset by the decrease in indirect depreciation and amortization, recruitment expenses and insurance costs of SAR 0.8 million, SAR 0.7 million and SAR 1.3 million respectively.

General and administrative expenses increased by 21.3% in 2017G, from SAR 33.2 million in 2016G to SAR 40.2 million in 2017G. This was principally due to the increase in administrative salaries and related expenses by SAR 4.6 million resulting from incremental increases in salaries coupled with an increase in administrative headcount.

6-6-5 Finance charges

The following table presents the Company's finance charges for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 39: Finance charges

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Borrowing charges	3,472	2,958	5,003	(14.8%)	69.1%	20.0%
Promissory note commissions	4,704	3,476	8,409	(26.1%)	141.9%	33.7%
Total	**8,176**	**6,434**	**13,412**	**(21.3%)**	**108.5%**	**28.1%**

Source: Audited financial statements

Finance charges include borrowing charges and promissory note commissions. In 2016G, finance charges decreased by 21.3%, from SAR 8.2 million in 2015G to SAR 6.4 million in 2016G. Finance charges increased in 2017G by 108.5% to SAR 13.4 million. Overall, the movement in outstanding bank borrowings influenced the movement in finance charges, whereby total acquired bank borrowings increased from SAR 302.5 million in 2015G to SAR 347.3 million and SAR 655.9 million in 2016G and 2017G respectively.

6-6-6 Other (Expenses) Income

The following table presents a summary of the Company's other (expenses) income for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 40: Other (expenses) income

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Gains/losses on disposal of fixed assets	18	71	2	294.4%	(97.2%)	(66.7%)
Other scrap sales	66	15	3	(77.3%)	(80.0%)	(78.7%)
Dispute claim	-	-	(3,479)	-	-	-
Total	**84**	**86**	**(3,473)**	**2.4%**	**(4,138.4%)**	**-**

Source: Audited financial statements

Other (expenses) income broadly consisted of immaterial gains/losses on disposal of fixed assets and scrap sales. However, an extraordinary event in connection to a dispute with an EPC contractor resulted in a claim of SAR 3.5 million during 2017G.

6-7 Balance Sheet

The following table presents a summary of the Company's balance sheet as of 31 March 2015G, 2016G and 2017G.

Table 41: Balance sheet

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G -2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Current assets						
Cash and cash equivalents	679	1,611	4,933	137.2%	206.2%	169.5%
Accounts receivable, net	191,483	213,389	276,477	11.4%	29.6%	20.2%
Revenue recognized in excess of billing	33,964	155,338	312,929	357.4%	101.5%	203.5%
Inventories	103,376	156,311	107,985	51.2%	(30.9%)	2.2%
Payments and other receivables	17,778	39,050	26,342	119.7%	(32.5%)	21.7%
Total current assets	**347,280**	**565,700**	**728,666**	**62.9%**	**28.8%**	**44.9%**
Non-current assets						
Property and equipment	179,800	217,115	232,986	20.8%	7.3%	13.8%
Intangible assets	605	1,191	964	96.9%	(19.1%)	26.2%
Total non-current assets	**180,405**	**218,306**	**233,950**	**21.0%**	**7.2%**	**13.9%**
Total assets	**527,685**	**784,006**	**962,617**	**48.6%**	**22.8%**	**35.1%**
Liabilities and shareholders' equity						
Current liabilities						
Notes payable and short-term borrowing	138,249	238,611	368,827	72.6%	54.6%	63.3%
Term loans- current portion	18,476	12,476	21,476	(32.5%)	72.1%	7.8%
Obligations under capital leases-current portion	68	1,178	1,178	1,633.6%	(0.0%)	316.4%
Accounts payable and other liabilities	112,006	242,699	204,175	116.7%	(15.9%)	35.0%
Billing in excess of revenue recognized	42,870	29,418	5,793	(31.4%)	(80.3%)	(63.2%)
Total current liabilities	311,669	524,382	601,449	68.2%	14.7%	38.9%
Term loans	19,594	7,118	642	(63.7%)	(91.0%)	(81.9%)
Obligations under capital leases	34	2,523	1,345	7,429.2%	(46.7%)	533.6%
End-of-service indemnities	10,830	13,028	15,538	20.3%	19.3%	19.8%
Total non-current liabilities	**30,458**	**22,669**	**17,526**	**(25.6%)**	**(22.7%)**	**(24.1%)**
Shareholders' equity						
Share capital	50,000	50,000	200,000	-	300.0%	100.0%
Statutory reserve	13,556	18,695	29,364	37.9%	57.1%	47.2%
Retained earnings	122,002	168,259	114,277	37.9%	(32.1%)	(3.2%)
Total shareholders' equity	**185,558**	**236,955**	**343,642**	**27.7%**	**45.0%**	**36.1%**
Total liabilities and shareholders' equity	**527,685**	**784,006**	**962,617**	**48.6%**	**22.8%**	**35.1%**

Source: Audited financial statements

Current assets mainly consist of accounts receivable, revenue recognized in excess of billing and inventories. Combined, these accounted for 94.5% of total current assets between 31 March 2015G and 31 March 2017G.

Current assets increased by 62.9%, from SAR 347.3 million at 31 March 2015G to SAR 565.7 million at 31 March 2016G, mainly driven by the increase in accounts receivable by SAR 21.9 million, the increase in revenue recognized in excess of billing by SAR 121.3 million and the increase in inventories by SAR 52.9 million between 31 March 2015G and 31 March 2016G.

Current assets increased by 28.8%, from SAR 565.7 million at 31 March 2016G to SAR 728.7 million at 31 March 2017G, due to the increase in accounts receivable by SAR 63.1 million and the increase in revenue recognized in excess of billing by SAR 157.6 million at 31 March 2017G.

Non-current assets are mainly composed of property and equipment, which accounted for 99.7%, 99.5% and 99.6% of total non-current assets at 31 March 2015G, 31 March 2016G and 31 March 2017G respectively.

Non-current assets increased by 48.6%, from SAR 180.4 million at 31 March 2015G to SAR 218.3 million at 31 March 2016G, due to the increase in the net book value of property and equipment from SAR 179.8 million at 31 March 2015G to SAR 217.1 million at 31 March 2016G. The higher net book value of property and equipment recorded at 31 March 2016G was mainly driven by additions of machinery and equipment amounting to SAR 14.6 million and additions of capital work in progress amounting to SAR 19.1 million in 2016G.

Non-current assets increased by 22.8%, from SAR 218.3 million at 31 March 2016G to SAR 234.0 million at 31 March 2017G, due to additions of machinery and equipment of SAR 4.4 million and additions of capital work in progress amounting to SAR 28.0 million in 2017G.

Current liabilities are mainly composed of notes payable and short-term borrowings, in addition to accounts payable and other liabilities. Combined, these represented 80.3%, 91.8% and 95.3% of total current liabilities at 31 March 2015G, 31 March 2016G and 31 March 2017G respectively.

Current liabilities increased by 68.2%, from SAR 311.7 million at 31 March 2015G to SAR 524.4 million at 31 March 2016G, mainly driven by the increase in notes payable and short term borrowing by 72.6% from SAR 138.2 million at 31 March 2015G to SAR 238.6 million at 31 March 2016G, and the increase in accounts payable and other liabilities by 116.7%, from SAR 112.0 million at 31 March 2015G to SAR 242.7 million at 31 March 2016G.

Current liabilities increased by 14.7% from SAR 524.4 million at 31 March 2016G to SAR 601.4 million at 31 March 2017G, due to the increase in notes payable and short-term borrowings by 54.6%, from SAR 238.6 million at 31 March 2016G to SAR 368.8 million at 31 March 2017G.

Non-current liabilities are mainly composed of end-of-service indemnities which accounted for 35.6%, 57.5% and 88.7% of total non-current liabilities at 31 March 2015G, 31 March 2016G and 31 March 2017G respectively.

Non-current liabilities declined by 25.6%, from SAR 30.5 million at 31 March 2015G to 22.7 million at 31 March 2016G, and decreased further by 22.7%, from SAR 22.7 million at 31 March 2016G to SAR 17.5 million at 31 March 2017G. The decrease in non-current liabilities was linked to the decrease in outstanding term loans between 31 March 2015G and 31 March 2017G. Term loans declined by 63.7%, from SAR 19.6 million at 31 March 2015G to SAR 7.1 million at 31 March 2016G, and declined further by 91.0%, from SAR 7.1 million at 31 March 2016G to SAR 0.1 million at 31 March 2017G.

Shareholders' equity increased by 27.7%, from SAR 185.6 million at 31 March 2015G to SAR 237.0 million at 31 March 2016G, and increased further by 45.0%, from SAR 237.0 million at 31 March 2016G to SAR 343.6 million at 31 March 2017G. The increase in shareholders' equity during the reporting period was mainly linked to the increase in retained earnings by SAR 37.9% at 31 March 2016G and the increase in share capital by SAR 150.0 million at 31 March 2017G.

6-7-1 Current Assets

The following table presents a summary of the Company's current assets as of 31 March 2015G, 2016G and 2017G.

Table 42: Current assets

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Cash and cash equivalents	679	1,611	4,933	137.2%	206.2%	169.5%
Accounts receivable, net	191,483	213,389	276,477	11.4%	29.6%	20.2%
Revenue recognized in excess of billing	33,964	155,338	312,929	357.4%	101.5%	203.5%
Inventories	103,376	156,311	107,985	51.2%	(30.9%)	2.2%
Prepayments and other receivables	17,778	39,050	26,342	119.7%	(32.5%)	21.7%
Total current assets	**347,280**	**565,700**	**728,666**	**62.9%**	**28.8%**	**44.9%**

Source: Audited financial statements

6-7-1-1 Cash and cash equivalents

The following table presents a summary of the Company's cash and cash equivalents as of 31 March 2015G, 2016G and 2017G.

Table 43: Cash and cash equivalents

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Cash on hand	10	10	19	(2.0%)	91.6%	37.0%
Cash at banks	669	1,601	4,914	139.3%	206.9%	171.0%
Total cash and cash equivalents	**679**	**1,611**	**4,933**	**137.2%**	**206.2%**	**169.5%**

Source: Audited financial statements

Cash and cash equivalents consist of cash on hand and cash in banks.

Cash on hand represents cash balances maintained in the head office and project sites. Cash on hand is used to cover day-to-day expenses incurred during the normal course of business.

Cash at banks represent cash balances maintained with various banks.

Cash and cash equivalents increased at a CAGR of 169.5% between 31 March 2015G and 31 March 2017G. The movement of cash was mainly influenced by the movement of cash flow from financing activities. A cash inflow of SAR 85.5 million and SAR 131.6 million was generated from financing activities in 2016G and 2017G respectively, to finance the Company's working capital requirements.

6-7-1-2 Accounts receivable

The following table presents a summary of the Company's accounts receivable as at 31 March 2015G, 2016G and 2017G.

Table 44: Accounts receivable

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Trade receivables	112,139	117,048	200,639	4.4%	71.4%	33.8%
Retentions receivable	70,242	86,670	65,147	23.4%	(24.8%)	(3.7%)
Due from related parties	9,102	9,672	10,691	6.3%	10.5%	8.4%
Accounts receivable, net	191,483	213,389	276,477	11.4%	29.6%	20.2%

Source: Audited financial statements

Accounts receivable primarily consist of trade receivables and retentions receivable. On average, these represented 95.2%, 95.5% and 96.1% of total accounts receivable at 31 March 2015G, 31 March 2016G and 31 March 2017 respectively.

Trade receivables represented 28.8%, 22.0% and 23.8% of total revenue in 2015G, 2016G and 2017G respectively.

6-7-1-2-1 Trade receivables

The following table presents a summary of the Company's trade receivable as at 31 March 2015G, 2016G and 2017G.

Table 45: Trade receivables

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G -2016G	YoY 2016G-2017G	
Trade receivables	112,139	122,516	206,108	9.3%	68.2%	35.6%
Provision for doubtful debts	-	(5,469)	(5,469)	-	-	-
Accounts receivable, trade	112,139	117,048	200,639	4.4%	71.4%	33.8%

Source: Management information

Trade receivables increased at a CAGR of 35.6%, from SAR 112.1 million at 31 March 2015G to SAR 206.1 million at 31 March 2017G. The increase in trade receivables was in line with the increase in business activity during the reporting period, and was primarily linked to projects secured with a major domestic oil and gas company.

The Company accounts for doubtful debt provisions on case-by-case basis. The Company had no outstanding provisions for doubtful debts at 31 March 2015G. However, a provision of SAR 5.5 million was accounted for in 2016G (against certain doubtful balances) and remained unchanged in 2017G due to its sufficiency.

Table 46: Aging of trade receivables as at 31 March 2017G

SAR in 000's		Past due / net of provisions				>270 days	Total
	0-30 days	31-60 days	61-90 days	91-180 days	181-270 days		
Trade receivables	64,031	64,682	3,443	31,446	18,794	23,712	206,108

Source: Management information

The official standard credit terms of the Company range between 30 to 45 days, and the collection period may extend up to 90 days. The aging of receivables indicated that SAR 31.4 million, SAR 18.8 million and SAR 23.7 million were outstanding for a period that exceeds 90 days, 180 days and 270 days respectively. Overdue receivables are generally in the normal course of business, since the process of billing and collections with respect to completed work is subject to thorough customer verifications and testing, which can be a time-consuming process.

6-7-1-2-2 Retentions receivable

Retentions receivable represent amounts withheld by customers as a performance guarantee. The retention balance usually ranges between 10% and 15% of the total project value.

Retentions receivable fluctuated during the reporting period. The outstanding balance of retentions receivable increased by 23.4%, from SAR 70.2 million at 31 March 2015G to SAR 86.7 million at 31 March 2016G, and decreased by 24.8% to SAR 65.1 million at 31 March 2017G. The movement of retentions receivable is linked to the status of the different projects operated by the Company because retentions receivable are released upon the final completion of work. When the project is completed, the customer inspects the work performed to ensure that the work is compliant with the required specifications, and pays retentions receivable.

Outstanding provisions for doubtful retentions amounted to SAR 4.5 million, SAR 7.1 million and SAR 11.8 million at 31 March 2015G, 31 March 2016G and 31 March 2017G respectively. The Company maintains prudent general provisions for doubtful retentions receivable. These provisions are related to the outstanding amounts of customers despite completion of the projects, and therefore they were classified as doubtful amounts.

6-7-1-3 Due from related parties

Amounts due from related parties represent balances due from the Company's sister companies, and subsidiaries of Pan Gulf Holding Company. All transactions with related parties are in the form of trade transactions (on an arm's length basis) and inter-group transactions. Amounts due from related parties increased by 6.3%, from SAR 9.1 million at 31 March 2015G to SAR 9.7 million at 31 March 2016G, and increased further by 10.5% to SAR 10.7 million at 31 March 2017G. Overall, the year-on-year increase in amounts due from related parties is due to the increase in sales of steel tanks sales toward Pan Gulf Industrial Systems Company.

6-7-1-4 Revenue recognized in excess of billings

The following table presents a summary of the Company's top seven balances under revenue recognized in excess of billings as at 31 March 2017G.

Potential timeline for billing and realization of the balance	Subsequent billing	Revenue recognized in excess of billing
Between June and December – FY17	24,430	223,378
Between June and December – FY17	-	21,081
Between June and August – FY17	-	10,554
Between June and October – FY17	4,845	9,066
Between September and November – FY17	-	6,194
Between August and September – FY17	-	5,286
Between July and September – FY17	-	3,617

Potential timeline for billing and realization of the balance	Subsequent billing	Revenue recognized in excess of billing
	-	279,167
	-	312,929
	-	89.2%

Source: Management information

Revenue recognized in excess of billings represents costs incurred with respect of works implemented in the projects for which no bills were issued to be sent to customers. Billing is associated with specific criteria in contracts with customers, which is mostly related to work completion rates. These amounts will be billed in subsequent periods.

Revenue recognized in excess of billings increased by 375.4%, from SAR 34.0 million at 31 March 2015G to SAR 155.3 million at 31 March 2016G, and increased further by 101.5% to SAR 312.9 million at 31 March 2017G. The increase in revenue recognized in excess of billings is in line with the increase in reported revenue between 2015G and 2017G.

It should be noted that 78.1% of outstanding revenue recognized in excess of billing as at 31 March 2017G pertains to a single ongoing project, which was secured and initiated during 2017G. Work implemented in connection to this project is being performed in continuous collaboration with the client, based on the approved designs and shapes which were agreed by both parties prior to starting the execution of work. Such collaboration allows the Company to perform and deliver the work meeting the requested standards and criteria, and aims at avoiding any future rejection of the material and equipment, which are planned to be delivered in subsequent periods.

On the other hand, SAR 44.1 million of outstanding revenue recognized in excess of billings as at 31 March 2017G pertains to completed projects. The delay in billing is due to the delay in receiving final acceptance certificates. Note that the Company expects to receive the delayed final acceptance in due course during the coming period of 2017G.

The outstanding balance of unbilled revenue is expected to be billed and collected during the normal course of business.

6-7-1-5 Inventories

The following table presents a summary of the Company's inventories as of 31 March 2015G, 2016G and 2017G.

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Raw materials	76,160	99,010	51,958	30.0%	(47.5%)	(17.4%)
Work in process	16,621	36,029	30,111	116.8%	(16.4%)	34.6%
Consumables and others	10,596	21,272	25,917	100.8%	21.8%	56.4%
Total inventories	**103,376**	**156,311**	**107,985**	**51.2%**	**(30.9%)**	**2.2%**

Source: Management information

Inventories mainly included raw materials, which on average represented 61.8% of total inventories between 31 March 2015G and 31 March 2017G.

No provision has been made for the slow-moving inventories, as no expired or slow-moving inventories have been recorded between 2015G and 2017G. The Company's policy is to purchase inventories required for completion of the projects. Most of the raw materials and other purchased inventory materials are closely related to the purchase orders issued by the site managers, which include specific details of the quantities and types of materials required.

Raw materials include steel washers, angles, plats, steel beam, steel sections and other various materials used in the fabrication of steel structures amongst other products manufactured by the Company. Raw materials also include material in transit purchased from suppliers but yet to be delivered to the Company's warehouses. The period between the purchase and the receipt of materials varies from one to four weeks.

Work-in-process inventory represents steel under fabrication at the various project sites operated by the Company (steel that is still in the manufacturing stage, which has not yet taken the form of a final product). Work-in-process includes the cost of direct labour, direct material and direct overheads.

The balance of raw materials and work-in-process fluctuated between 2015G and 2017G. The outstanding balance of raw materials increased by 30.0%, from SAR 76.2 million at 31 March 2015G to SAR 99.0 million at 31 March 2016G, and decreased by 47.5% to SAR 52.0 million at 31 March 2017G.

Work-in-process increased (in the manufacturing stage) by 116.8%, from SAR 16.6 million at 31 March 2015G to SAR 36.0 million at 31 March 2016G, and decreased by 16.4% to SAR 30.1 million at 31 March 2017G.

The increase in outstanding balances of raw materials and work-in-process at 31 March 2016G was driven by relatively high material purchases during 2016G to source material requirements for ongoing and anticipated projects. The decrease in outstanding balance of raw materials and work-in-process at 31 March 2017G broadly resulted from a combination of sufficient safety stock and stringent controls over procurement.

Consumables and others include insulation tapes, tapers, spare rollers, air filters, welding electrodes, dividers, cables, electrical panel boxes, control transformers, chemical products and other consumables used in daily production and fabrication works. Consumables increased at a CAGR of 56.4%, from SAR 10.6 million at 31 March 2015G to SAR 22.3 million and SAR 25.9 million at 31 March 2016G and 31 March 2017G respectively.

Inventory movement was generally affected by the movement of projects and manufacturing stages. The increase in inventories during 2016 was due to the high quantities of inventory purchased to carry out the work related to the new projects acquired during the year, while the decrease in inventories during 2017 was driven by the implementation of most of the new projects, resulting in a decrease in quantities of stored materials.

6-7-1-6 Prepayments and other receivables

The following table presents a summary of the Company's prepayments and other receivables as at 31 March 2015G, 2016G and 2017G.

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Advances to suppliers	1,837	24,065	10,955	1,210.4%	(54.5%)	144.2%
Due from employees	4,311	2,897	2,940	(32.8%)	1.5%	(17.4%)
Prepaid recruitment expenses	2,041	2,193	1,897	7.5%	(13.5%)	(3.6%)
Prepaid rent	2,979	1,100	1,756	(63.1%)	59.6%	(23.2%)
Prepaid interest charges	286	247	582	(13.4%)	135.1%	42.7%
Prepaid insurance	390	305	303	(21.7%)	(0.6%)	(11.8%)
LCandLG margin	169	154	114	(8.9%)	(25.9%)	(17.9%)
Prepaid consultancy fees	-	848	-	-	(100.0%)	-
Prepaid other expenses	5,766	7,239	7,795	25.5%	7.7%	16.3%
Total prepayments and other receivables	**17,778**	**39,050**	**26,342**	**119.7%**	**(32.5%)**	**21.7%**

Source: Management information

Advances to suppliers were the major component of prepayments and other assets during the reporting period. On overage, advances to suppliers accounted for 44.3% of total prepayments and other assets between 31 March 2015G and 31 March 2017.

The Company pays its suppliers for procuring raw materials and consumables. The outstanding balance of advances to suppliers fluctuated between 31 March 2015G and 31 March 2017G, with an increase by 1,210.4%, from SAR 1.8 million at 31 March 2015G to 24.1 million at 31 March 2016G, and a subsequent decrease by 54.5% to SAR 11.0 million at 31 March 2017G. The movement in outstanding advances to suppliers was mainly influenced by the movement in projects secured under the Skids Division. The high balance of advances to suppliers as at 31 March 2016G was mainly related to the purchase of skids parts and instrumentation in connection to orders placed by a major domestic oil and gas company. The large majority of skid material and components were purchased during 2016G, but received in the Company's premises during 2017G, hence the decline in outstanding advances to suppliers at 31 March 2017G.

Amounts due from employees represent staff advances and borrowing from the Company. Such advances and loans are deductible from staff salaries over equal monthly instalments. Amounts due from employees declined by 32.8%, from SAR 4.3 million at 31 March 2015G to SAR 2.9 million at 31 March 2016G and remained stable at 31 March 2017G. Movements in such advances do not follow a specific trend, but are affected by the number of applications for advances made by employees during the work period, and the number of applications has decreased during 2016G. The Company's policy stipulates granting loans to employees who have completed at least two years of employment, provided that the value of the loan shall not exceed the equivalent of three months' wages and not be in excess of SAR 50,000. The approval of the Company's General Manager must be obtained prior to issuance of advances.

Prepaid recruitment expenses mainly consist of visa issuance charges and other charges incurred upon hiring foreign employees. The balance remained somewhat stable between 31 March 2015G and 31 March 2017G, with an increase by 7.5%, from SAR 2.0 million as of 31 March 2015G to SAR 2.2 million as of 31 March 2016G, and a subsequent decrease by

13.5% to 1.9 million as of 31 March 2017G. The increase in recruitment expenses in 2016G was driven by an increase in the number of foreign employees engaged by the Company during this year, while the decline in expenses in 2017 was affected by the fact that most of the foreign employees who were recruited by the Company during 2017G were granted short-term visas, resulting in lower expenses borne by the Company.

Prepaid rent represents the outstanding balance of advances towards leasing staff accommodation and housing advances granted to employees upon joining the Company. Prepaid rent expenses decreased by 63.1%, from SAR 3.0 million at 31 March 2015G to SAR 1.1 million at 31 March 2016G due to the fact that many new hires in 2016G were placed in the Company's housing complex and were not granted a housing allowance. Prepaid rent expenses increased by 59.6%, from SAR 1.1 million at 31 March 2016G to SAR 1.8 million at 31 March 2017G, driven by the rental of two villas during 2017G to accommodate foreign officials and employees who visit the Company temporarily to check the work progress.

Other components of prepayments and other receivables are of non-high value nature. Such components include prepaid interest charges, prepaid insurance, margins against bank guarantees, etc. Prepaid interest charges are linked to loans obtained by the Company, given that some banks require the Company to pay interest charges in advance when obtaining loans. Margins against bank guarantees represent some of the amounts that are held by banks upon issuance of letters of guarantee to suppliers and government agencies.

6-7-2 Non-Current Assets

The table below presents a summary of the Company's non-current assets as of 31 March 2015G, 2016G and 2017G.

Table 47: Non-current-assets

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Property and equipment	179,800	217,115	232,986	20.8%	7.3%	13.8%
Intangible assets	605	1,191	964	96.9%	(19.1%)	26.2%
Total non-current assets	**180,405**	**218,306**	**233,950**	**21.0%**	**7.2%**	**13.9%**

Source: Audited financial statements

6-7-2-1 Property and equipment

The following table presents a summary of the net book value of the Company's property, plant and equipment as of 31 March 2015G, 2016G and 2017G.

Table 48: Property and equipment

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Land and building	96,467	105,838	102,837	9.7%	(2.8%)	3.2%
Machinery and equipment	74,235	98,086	97,833	32.1%	(0.3%)	14.8%
Vehicles	2,485	1,727	1,579	(30.5%)	(8.6%)	(20.3%)
Furniture, fixtures and office equipment	1,466	1,643	1,697	12.1%	3.3%	7.6%
Capital-work-in progress	5,148	9,821	29,041	90.8%	195.7%	137.5%
Total net book value	**179,800**	**217,115**	**232,986**	**20.8%**	**7.3%**	**13.8%**

Source: Audited financial statements

Property and equipment mainly consisted of land and buildings as well as machinery and equipment. Combined, these two components accounted for 94.9%, 93.9% and 86.1% of property and equipment's net book value at 31 March 2015G, 31 March 2016G and 31 March 2017G respectively.

The net book value of property and equipment increased by 20.8%, from SAR 179.8 million at 31 March 2015G to SAR 217.1 million at 31 March 2016G, and increased further by 7.3% to SAR 233.0 million at 31 March 2017G. The increase in the net book value of property and equipment was mainly driven by additions to lands and buildings, machinery and equipment, and capital-work-in progress. Additions to land and buildings were associated with the new buildings that have been constructed to expand the Company's plant area, while increases in machinery and equipment are related to the additional

equipment obtained to increase productivity and absorb the increased activity associated with the new projects acquired between 2015G and 2017G.

Additions to capital work in progress between 2015G and 2017G are of an expansionary nature in connection with the establishment of the Cladding Division.

6-7-2-2 Intangible assets

The following table presents a summary of the Company's intangible assets as of 31 March 2015G, 2016G and 2017G.

Table 49: Intangible assets

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G -2017G	
Original cost	9,041	10,720	11,471	18.6%	7.0%	12.6%
Accumulated amortization	(8,436)	(9,529)	(10,507)	13.0%	10.3%	11.6%
Total net book value	**605**	**1,191**	**964**	**96.9%**	**(19.1%)**	**26.2%**

Source: Audited financial statements

Intangible assets consist of the implementation cost and licensing fees of operating and administrative software. The net book value of intangible assets increased by 96.9%, from SAR 0.6 million at 31 March 2015G to SAR 1.2 million at 31 March 2016G, driven by the acquisition of "Tekla" software which is an information modelling software used by the Company to model structures that incorporate various kinds of building materials, including steel and concrete.

6-7-3 Current Liabilities

The following table presents a summary of the Company's current liabilities as at 31 March 2015G, 2016G and 2017G.

Table 50: Current liabilities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Notes payable and short-term borrowing	138,249	238,611	368,827	72.6%	54.6%	63.3%
Term loans - current portion	18,476	12,476	21,476	(32.5%)	72.1%	7.8%
Obligations under capital leases - current portion	68	1,178	1,178	1,633.6%	(0.0%)	316.4%
Accounts payable and other liabilities	112,006	242,699	204,175	116.7%	(15.9%)	35.0%
Billing in excess of revenue recognized	42,870	29,418	5,793	(31.4%)	(80.3%)	(63.2%)
Total	**311,669**	**524,382**	**601,449**	**68.2%**	**14.7%**	**38.9%**

Source: Audited financial statement

6-7-3-1 Notes payable and short-term borrowing

The following table presents a summary of the Company's notes payable and short term borrowing as of 31 March 2015G, 2016G and 2017G.

Table 51: Notes payable and short-term borrowing

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G -2016G	YoY 2016G-2017G	
Bank Saudi Fransi	49,348	85,434	241,942	(73.1%)	183.2%	121.4%
GIB	3,539	5,759	-	62.7%	(100.0%)	(100.0%)
National Commercial Bank	49,915	63,968	71,127	28.2%	11.2%	19.4%
Alinma Bank	1,656	17,144	26,212	935.3%	52.9%	297.9%
SAMBA	3,414	-	-	(100.0%)	-	(100.0%)
Alawwal Bank	8,016	61,494	17,473	667.2%	(71.6%)	47.6%
Bank Al-Jazira	-	3,819	12,072	-	216.1%	-
Al-Rajhi	22,361	993	-	(95.6%)	(100.0%)	(100.0%)
Total	**138,249**	**238,611**	**368,827**	**72.6%**	**54.6%**	**63.3%**

Source: Audited financial statement

Between 2015G and 2017G, the Company obtained various types of short-term financing facilities from local banks in the forms of overdrafts, short-term loans, letters of credit and promissory notes. Notes payable represent amounts payable under letters of credit for purchases. These facilities are subject to finance charges based on commercial rates. Notes payable and short-term borrowing increased at a CAGR of 63.3% between 31 March 2015G and 31 March 2017G, driven by the year-on-year growth in business activity.

Note that the Company had greater reliance on short-term bank borrowings during 2017G because multiple new projects in connection to a major domestic oil and gas company prohibited billings prior to achieving a high percentage of work completion. The contracts signed with the Company provide for completion of a high percentage of the work before commencement of billing and revenue collection. Revenues associated with these contracts represented 0.3%, 21.1% and 39.5% of total revenues in 2015, 2016 and 2017 respectively.

6-7-3-2 Term loans – current portion

The current portion of term loans represents the outstanding balance of principal payments due within less than one year following the date of the balance sheet. At 31 March 2017G, the balance of outstanding current portion of term loans included the non-current portion of medium-term loans acquired through Alinma and Alawwal banks.

6-7-3-3 Obligations under capital leases

The following table presents a summary of the Company's obligations under capital leases as of 31 March 2015G, 2016G and 2017G.

Table 52: Obligations under capital leases

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Within one year	77	1,342	1,342	1,653.6%	-	317.5%
More than one year	39	2,851	1,509	7,186.5%	(47.1%)	522.0%
Minimum lease payment	116	4,193	2,851	3,525.2%	(32.0%)	395.8%
Less: finance costs	14	(492)	(328)	(3,563.1%)	(33.4%)	-
Total obligations	101	3,701	2,523	-	(31.8%)	397.4%
Less: current portion	(68)	(1,178)	(1,178)	1,633.6%	(0.0%)	-
Non-current portion	34	2,523	1,345	7,429.2%	(46.7%)	528.9%

Source: Audited financial statements

Obligations under capital leases pertains to vehicles and cranes under capital lease with a lease term of 4 years, at the end of which the title of such assets shall be transferred to the Company. All valid capital lease arrangements are based on fixed instalments.

6-7-3-4 Accounts payable and other liabilities

The following table presents a summary of the Company's accounts payable and other liabilities as of 31 March 2015G, 2016G and 2017G.

Table 53: Accounts payable and other liabilities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Accounts payable and accrued contract cost	43,410	146,742	159,145	238.0%	8.5%	91.5%
Advances from customers	11,484	24,755	8,088	115.6%	(67.3%)	(16.1%)
Due to related parties	43,363	55,520	17,069	28.0%	(69.3%)	(37.3%)
Accrued employee benefits	3,423	4,229	4,747	23.5%	12.2%	17.8%
Provision for custom duty	1,356	2,318	2,898	71.0%	25.0%	46.2%
Others	8,972	9,135	12,229	1.8%	33.9%	16.7%
Total accounts payable and other liabilities	**112,006**	**242,699**	**204,175**	**116.7%**	**(15.9%)**	**35.0%**

Source: Audited financial statements

Accounts payable and accrued contracts cost represent the highest component of accounts payable and other liabilities, accounting for an average of 62.5% of total accounts payable and other liabilities between 31 March 2015G and 31 March 2017G. Accounts payable and accrued contract cost comprise amounts due to the Company's various vendors of raw materials, spare parts, and consumables.

Accounts payable and accrued contract cost increased by 238.0%, from SAR 43.4 million at 31 March 2015G to SAR 146.7 million at 31 March 2016G. The balance increased further by 8.5% to SAR 159.1 million at 31 March 2017G. Overall, the year-on-year increase in the outstanding balance of accounts payable and accrued contract costs was driven by higher purchases to cope with the increase in business activities and demand for the Company's products during 2016G and 2017G. The value of purchases increased from SAR 167.0 million in 2015G to SAR 235.6 million in 2016G, along with an additional increase of SAR 366.0 million in 2017G.

Advances from customers represent payments received in advance from customers. The Company demands advances on certain types of projects upon the initiation of work. Advances can range between 10% to 15% of the total contract value. Advances from customers increased by 115.6%, from SAR 11.5 million at 31 March 2015G to SAR 24.8 million at 31 March 2016G, in line with the increase in business activity between 2015G and 2016G. Advances from customers declined by 67.3%, from SAR 24.8 million at 31 March 2016G to SAR 8.1 million at 31 March 2017G, despite the increase in revenue during 2017G. This decline in outstanding advances from customers was due to the fact that the large majority of business during 2017G was related to contracts signed which is not required to pay advances per terms of respective contracts.

Amounts due to related parties represents balances due to the GSW's sister companies and subsidiaries of Pan Gulf Holding Company. These payable balances are due to trade transactions exclusively (i.e., purchases) and transactions between sister companies carried out during the normal course of business. All transactions with related parties are based on a commercial basis. Amounts due to related parties increased by 28.0%, from SAR 43.4 million at 31 March 2015G to SAR 55.5 million at 31 March 2016G, driven by higher purchases of steel from Pan Gulf Steel, a sister company, during 2016G. Amounts due to related parties declined by 69.3%, from SAR 55.5 million at 31 March 2016G to SAR 17.1 million at 31 March 2017G, due to the settlement of payable towards Pan Gulf Steel and Pan Gulf Industrial Investment Company. For further information related to transactions with related parties, refer to Section 8.7.

Accrued employee benefits include accrued ticketing and vacation expenses booked on a monthly basis. Accrued employee benefits increased by 23.5%, from SAR 3.4 million at 31 March 2015G to SAR 4.2 million at 31 March 2016G, and further by 12.2% to SAR 4.7 million at 31 March 2017G, driven by the increase in staff salaries between 2015 and 2017, together with the increase in staff headcount from 1,212 in 2015G to 1,385 in 2016G.

Provisions for customs duties represent accrued customs' fees due to the Saudi Ports Authority in Jubail, in relation to inbound shipments from foreign suppliers. Provisions for customs duties increased by 71.0%, from SAR 1.4 million at 31 March 2015G to SAR 2.3 million at 31 March 2016G, and further by 25.0% to SAR 2.9 million at 31 March 2017G. The year-on-year increase in outstanding provisions for customs duties was driven by the increase in business activity during 2016G and 2017G.

Others include various miscellaneous accruals including GOSI contributions, freight charges payable, utility charges, etc.

The increase in other payables from SAR 9.0 million at 31 March 2015G to SAR 12.2 million at 31 March 2017G was driven by higher freight charges payable and higher utility charges in light of the increase in business activity.

6-7-3-5 Billing in excess of revenue recognized

Billing in excess of revenue recognized mainly represents mobilization costs billed to customers in excess of the value of the revenues recorded by the Company (the Company sometimes pays some costs before executing the works, and such costs are billed based on the payment schedules mentioned in the contracts, not according to the work performed). The balance decreased by 31.4%, from SAR 42.9 million at 31 March 2015G to SAR 29.4 million at 31 March 2016G, and further by 80.3% to SAR 6.0 million at 31 March 2017G. The year-on-year decrease in outstanding billing in excess of revenue recognized is attributable to the fact that the large majority of contracts secured in 2016G and 2017G did not include contractual terms allowing such billings to take place prior to the execution of the work.

6-7-4 Non-current Liabilities

The following table presents a summary of the Company's non-current liabilities as of 31 March 2015G, 2016G and 2017G.

Table 54: Non-current liabilities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Term loans	19,594	7,118	642	(63.7%)	(91.0%)	(81.9%)
Obligations under capital leases	34	2,523	1,345	7,429.2%	(46.7%)	533.6%
End-of-service indemnities	10,830	13,028	15,538	20.3%	19.3%	19.8%
Total non-current liabilities	**30,458**	**22,669**	**17,526**	**(25.6%)**	**(22.7%)**	**(24.1%)**

Source: Audited financial statements

6-7-4-1 Term loans

Term loans include the non-current portion of term loans, representing the balance of principal payments due within a period that exceeds one year following the date of the balance sheet. The outstanding balance of term loans declined by 63.7%, from SAR 19.6 million at 31 March 2015G to SAR 7.1 million at 31 March 2016G, and further by 91.0% to SAR 0.7 million at 31 March 2017G, due to repayments.

6-7-4-2 Obligations under capital leases – non-current portion

The following table presents a summary of the Company's obligations under capital leases as of 31 March 2015G, 2016G and 2017G.

Table 55: Obligations under capital leases

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Within one year	77	1,342	1,342	1,653.6%	-	318.8%
More than one year	39	2,851	1,509	7,186.5%	(47.1%)	521.0%
Minimum lease payment	116	4,193	2,851	3,525.2%	(32.0%)	396.5%
Less: finance costs	14	(492)	(328)	(3,563.1%)	(33.4%)	-
Total obligations	**101**	**3,701**	**2,523**	**-**	**(31.8%)**	**398.7%**
Less: current portion	(68)	(1,178)	(1,178)	1,633.6%	(0.0%)	-
Non-current portion	34	2,523	1,345	7,429.2%	(46.7%)	533.6%

Source: Audited financial statements

As highlighted previously, obligations under capital leases pertain to vehicles and cranes under capital lease with a lease term of 4 years at the end of which the title of such assets will be transferred to the Company. All valid lease capital lease arrangements are based on fixed instalments.

6-7-4-3 End of service indemnities

End of service indemnities increased by 20.3%, from SAR 10.8 million at 31 March 2015G to SAR 13.0 million at 31 March 2016G, and further by 19.3% to SAR 15.5 million at 31 March 2017G. The year-on-year increase in accrued terminal benefits is driven by the accumulation of benefits, and the increase in staff salaries between 2015G and 2017G, coupled with the increase in headcount from 1,212 in 2015G to 1,385 in 2016G.

6-7-5 Shareholders' Equity

The following table presents a summary of the Company's shareholders' equity as of 31 March 2015G, 2016G and 2017G.

Table 56: Shareholders' equity

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Share capital	50,000	50,000	200,000	-	300.0%	100.0%
Statutory reserve	13,556	18,695	29,364	37.9%	57.1%	47.2%
Retained earnings	122,002	168,259	114,277	37.9%	(32.1%)	(3.2%)
Total	**185,558**	**236,955**	**343,642**	**27.7%**	**45.0%**	**36.1%**

Source: Audited financial statements

6-7-5-1 Share capital

At 31 March 2017G, the share capital of the Company amounted to SAR 200 million divided into 20 million shares of SAR 10 each. As at 22 February 2017G, the shareholders resolved to increase the share capital from SAR 50 million to SAR 200 million by way of the transfer of SAR 150 million from retained earnings to share capital.

6-7-5-2 Statutory reserves

In accordance with regulations for companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10.0% of its net income until the reserve equals 30% of share capital. This reserve is not available for dividend distribution.

6-7-5-3 Retained earnings

Retained earnings increased by 37.9%, from SAR 122.0 million at 31 March 2015G to SAR 168.3 million at 31 March 2016G, driven by the reported net income during 2016G. Retained earnings declined by 32.1%, from SAR 168.3 million at 31 March 2016G to SAR 114.3 million at 31 March 2017G, due to the capitalization of SAR 150.0 million.

6-7-6 Related Party Transactions

The following table presents a summary of the Company's related party transactions for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 57: Related party transactions

SAR in 000's	Relationship	FY15			FY16			FY17		
		Purchase	Sale	Other	Purchase	Sale	Other	Purchase	Sale	Other
Pan Gulf Industrial Investment	Shareholders/ Related Parties	-	-	1,633	-	-	18,802	-	-	69
Pan Gulf Steel	Related Parties	37,396	-	-	20,326	-	-	21,195	-	-
Pan Gulf Technologies	Related Parties	3,700	-	-	2,795	-	-	1,050	-	-
Pan Gulf Valves	Related Parties	198	10	-	41	18	-	680	-	-
Pan Gulf Welding Solution	Related Parties	8,019	-	-	11,324	-	-	7,317	-	-
Pan Gulf Piping	Related Parties	526	-	-	4,589	299	-	6,613	-	-
Pan Gulf Industrial Fabrication	Related Parties	7,152	-	-	8,352	-	-	9,801	-	-
Pan Gulf Technical services	Related Parties	-	-	-	585	-	-	4,412	-	-
Pan Gulf Industrial Systems	Related Parties	159	-	-	44	1,169	-	246	3,644	-
Pan Gulf Power Tools and Machinery	Related Parties	196	-	-	914	-	-	1,077	-	-
Gulf Tour Travel	Related Parties	-	-	-	4,100	-	-	-	-	-
Pan Gulf Rental	Related Parties	-	-	-	-	-	-	2,465	-	-
Gulf Mahmal	Related Parties	-	-	-	-	-	-	6,229	-	-
Total		**57,346**	**10**	**1,633**	**53,069**	**1,486**	**18,802**	**61,086**	**3,644**	**69**

Source: Management information

Transactions with related parties were mainly in connection to Pan Gulf Industrial Company and its subsidiaries, as well as Pan Gulf Holding Company and its subsidiaries and affiliates. Transactions carried out with related parties during the reporting period included trade and transactions between GSW's sister companies and subsidiaries of Pan Gulf Holding Company.

Trade transactions refer to the purchase of steel, pipes, welding machines and other consumables from the different GSW's sister companies and subsidiaries of Pan Gulf Holding Company. Other trade transactions involved selling steel tanks to Pan Gulf Industrial Systems Company. Trade transactions with related parties are governed by contractual agreements.

Transactions between GSW's sister companies and subsidiaries of Pan Gulf Holding Company involved the transfer of property and equipment, management fees paid on behalf of the Company by the Holding Company, end of service benefits payments on behalf of the Company, etc.

Related party transactions are generally on an arm's length basis, whereby the purchasing process is initiated by obtaining three quotations from three different suppliers, and selecting the supplier who can provide the Company with the required material at the lowest price. Furthermore, sales transactions are governed by a contract signed between the Company and Pan Gulf Industrial Systems Company, while inter-group transactions are governed by written procedures.

6-8 Cash Flow Statement

The following table presents a summary of the Company's cash flow statement for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 58: Cash flow statement

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G -2017G	
Net cash used in operating activities	101,852	(47,904)	(93,658)	(147.0%)	95.5%	-
Net cash used in investing activities	(23,124)	(36,650)	(34,582)	(58.5%)	5.6%	(22.3%)
Net cash from financing activities	(78,801)	85,486	131,561	208.5%	53.9%	-
Net change in cash and cash equivalents	(73)	932	3,322	1,376.7%	256.5%	-
Cash and cash equivalents, April 1	752	679	1,611	(9.6%)	137.2%	46.4%
Cash and cash equivalents, March 31	679	1,611	4,933	137.3%	206.2%	169.5%

Source: Audited financial statements

The Company reported a positive net change in cash and cash equivalents during 2016G and 2017G. The net change in cash flow increased by 1,381.0%, from an outflow of SAR 0.1 million in 2015G to an inflow of SAR 0.9 million in 2016G.

Similarly, the Company reported an increase in the net cash flow change by 256.5% to SAR 3.3 million in 2017G. The increase in net cash flows during 2016G and 2017G were mainly driven by cash inflow from financing activities due to bank borrowings to finance working capital requirements.

6-8-1 Cash Flow from Operating Activities

The following table presents a summary of the Company's cash flow from operating activities for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 59: Cash flow from operating activities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Net income for the year	17,409	51,397	106,687	195.2%	107.6%	147.6%
Adjustments:						
Depreciation and amortization	14,996	17,623	18,821	17.5%	6.8%	12.0%
Provision for doubtful debts	3,900	8,500	4,838	117.9%	(43.1%)	11.4%
Gain on disposal of property and equipment	(18)	(71)	(2)	(297.6%)	96.9%	66.7%
Finance charges	8,175	6,434	13,412	(21.3%)	108.5%	28.1%
End-service indemnities	2,577	4,215	3,562	63.6%	(15.5%)	17.6%
Changes in operating assets and liabilities						
Accounts receivable, prepayments and other receivables	10,073	(173,043)	(212,689)	(1,817.9%)	(22.9%)	-
Inventories	19,111	(52,935)	48,326	(377.0%)	191.3%	59.0%
Accounts payable and other liabilities	(5,546)	111,881	(38,336)	2,117.3%	(134.3%)	(162.9%)
Billing in excess of revenue recognized	40,361	(13,452)	(23,624)	(133.3%)	(75.6%)	-
Cash (used in) from operations	111,039	(39,453)	(79,007)	(135.5%)	(100.3%)	-
Finance charges paid	(8,128)	(6,434)	(13,412)	20.8%	(108.5%)	(28.5%)
End-of-service indemnities paid	(1,059)	(2,017)	(1,239)	(90.4%)	38.6%	(8.2%)
Net cash from operating activities	101,852	(47,904)	(93,658)	147.0%	95.5%	-

Source: Audited financial statements

The Company recorded a net cash inflow from operating activities of SAR 101.8 million in 2015G, which turned into a cash outflow of SAR 47.9 million in 2016G. This was mainly due to the increase in accounts receivable, prepayments and other receivables, and inventories at 31 March 2016G.

Cash outflow from operating activities increased from SAR 47.9 million in 2016G to SAR 93.7 million in 2017G due to a continuous increase in accounts receivable, prepayments and other receivables, in addition the decrease in accounts payable and other liabilities.

6-8-2 Cash Flow from Investing Activities

The following table presents a summary of the Company's cash flow from investing activities for the financial years ended 31 March 2015G, 2016G and 2017G.

Table 60: Cash flow from investing activities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Additions to property and equipment	(23,100)	(35,152)	(33,920)	(52.2%)	3.5%	(21.2%)
Proceeds from disposal of property and equipment	37	181	90	389.5%	(50.2%)	56.0%
Addition to intangible assets	(61)	(1,679)	(751)	(2,658.7%)	55.3%	(25.9%)
Net cash from investing activities	(23,124)	(36,650)	(34,582)	(58.5%)	(5.6%)	22.3%

Source: Audited financial statements

The Company recorded a cash outflow from investing activities throughout the reporting period. Cash outflow from investing activities increased from SAR 23.1 million in 2015G to SAR 36.7 million in 2016G, and declined to SAR 34.6 million in 2017G. The movement of cash outflow from investing activities was influenced by expansionary, maintenance and replacement capital expenditure.

6-8-3 Cash Flow from Financing Activities

The following table summarizes the Company's cash flow from financing activities for the financial years ended 31 December 2015G, 2016G and 2017G.

Table 61: Cash flow from financing activities

SAR in 000's	Financial year ended 31 March			Increase/ (Decrease)		CAGR 2015G-2017G
	2015G	2016G	2017G	YoY 2015G-2016G	YoY 2016G-2017G	
Notes payable and short-term loans	(70,206)	100,362	130,216	243.0%	29.7%	-
Term loans, net	(8,268)	(18,476)	2,524	(123.5%)	113.7%	-
Obligations under capital leases	(327)	3,600	(1,178)	1,200.6%	(132.7%)	(89.8%)
Net cash from financing activities	(78,801)	85,486	131,561	208.5%	53.9%	-

Source: Audited financial statements

The Company recorded a cash outflow from financing activities of SAR 78.8 million in 2015G, which turned into a cash inflow of SAR 85.5 million and SAR 131.6 million in 2016G and 2017G respectively. The movement in cash flow from financing activities was mainly influenced by the movement of notes payable and short-term loans, since the Company acquired various project financing facilities during 2016G and 2017G. The Company has obtained several facilities from about seven banks to finance business requirements. These facilities included short-term loans, long-term loans, overdrafts, letters of guarantee and payment notes.

6-9 Commitments and Contingencies

The following table presents a summary of the Company's commitments and contingencies as of 31 March 2015G, 2016G and 2017G:

Table 62: Commitment and contingencies

SAR in 000's	Financial year ended 31 March 2017G
Per audited financial statements	
Letters of credit	91,760
Letters of guarantee	122,471
Per management information	
Operating lease commitments	806
Total	**215,037**

Source: Audited financial statements and management information

The Company's obtained letters of guarantee from banks amounting to SAR 122.5 million in 2017G. Such letters of guarantee are issued during the normal course of business, but particularly in connection to bid bonds and performance bonds.

Furthermore, the Company subscribes for letters of credit with banks during the normal course of business to serve as guarantees for foreign vendors.

Operating lease commitments of SAR 0.8 million are associated with property lease commitments.

6-10 Planned Capital Expenditures

The following table presents a summary of the Company's planned capital expenditures as of 31 March 2017G:

Table 63: Planned Capital Expenditures

SAR in 000's	Financial year ended 31 March 2017G
Structural steel cutting lines	10,992
Structural steel painting and blasting equipment	2,065
Laydown area leasehold improvements	1,944
Cladding equipment and installations	23,954
Processing equipment installations	126
Skid management office renovations	26
Total	**40,826**

Source: Management information

The Company's planned capital expenditure for 2018G amounts to SAR 40.8 million, of which SAR 24.0 million is attributable to the acquisition of cladding equipment whilst SAR 11.0 million is related to the acquisition of structural steel cutting lines.

7. Dividend Distribution Policy

The distribution of dividends shall be subject to certain restrictions under the Company's Bylaws. Article (46) of the Company's Bylaws stipulates that the annual net profits of the Company shall be distributed as follows:

1- Ten percent (10%) of net profit shall be set aside to form a statutory reserve and the ordinary General Assembly may discontinue such action when the statutory reserve amounts to (30%) of the Company's paid capital.

2- The ordinary General Assembly may, at the request of the Board of Directors, set aside 5% of the annual net profits to form an additional reserve to be allocated towards one or more specific purposes.

3- The ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's staff, or for supporting the existing organizations.

4- A percentage of at least 5% of the paid-up capital of the Company from the remainder shall be distributed to the shareholders.

5- Subject to Article (20) of the Company's Bylaws regarding the remuneration of the Board of Directors, and Article (76) of the Companies Law, 5% of the rest of net profits shall be allocated to the remuneration of the Board of Directors, provided that the entitlement for such remuneration shall be proportional to number of meetings attended by the Director.

The Company has not distributed any dividends during 2015G, 2016G, and 2017G until the date of publication of this Prospectus.

8. Legal Information

8-1 The Company

Gulf Steel Works is a Saudi joint stock company incorporated under Commercial Register No. 2055003300 dated 08/05/1414H (corresponding to 24/10/1993G), and its Head Office address is Jubail, Industrial City, Support Industries Area. The share capital of the Company is SAR (200,000,000), divided into (20,000,000) ordinary shares with a fully paid nominal value of ten Saudi riyals (SAR 10) per share.

8-2 Share Ownership Chart

The following table summarizes the ownership percentages of Company's shareholders before and after the Offering:

Table 64: Chart of Direct Ownership in the Company Pre- and Post Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Percentage of Shares	Nominal Value (SAR)	No. of Shares	Percentage of Shares	Nominal Value (SAR)
Pan Gulf Industrial Investment Company	19,800,000	99%	198,000,000	13,860,000	69.3%	138,600,000
Pan Gulf Steel Company	200,000	1%	2,000,000	140,000	0.7%	1,400,000
Public	-	-	-	6,000,000	30%	60,000,000
Total	**20,000,000**	**100%**	**200,000,000**	**20,000,000**	**100%**	**200,000,000**

Source: The Company

8-3 Government Consents, Licenses and Certificates

The Company has obtained legal and operational certificates and licenses from the competent authorities to conduct its business. The licenses and certificates shall be renewed periodically upon expiry as set out in the table below.

In addition, the municipality license of Al Khobar branch expired on 01/02/1437H, and the Company is currently in the process of renewing it, noting that the renewal of the municipality license may expose the Company to a fine ranging from SAR 200 to SAR 500.

The following tables present the current licenses and certificates obtained by the Company:

Table 65: Details of Commercial Registration Certificates obtained by the Company

The Company	Location	The Legal Entity	The Commercial Registration	Registration Date	Expiry Date
Gulf Steel Works (GSW)	Jubail Industrial	Closed joint stock company	2055003300	08/05/1414H (corresponding to 24/10/1993G)	07/02/1443H (corresponding to 14/09/2021G)
	Jubail Industrial	Branch	2051037320	16/05/1429H (corresponding to 21/05/2008G)	15/05 / 1443H (corresponding to 19/12/2021G)
	Jubail Industrial	Branch	2055025786	16/06/1438H (corresponding to 25/03/2017G)	15/06/1443H (corresponding to 18/01/2022G)
	Al Khobar	Branch	2055019783	22/07/1434H (corresponding to 01/06/2013G)	21/07/1439H (corresponding to 05/07/2018G)
Gulf Steel Works (GSW)	Abu Dhabi	A foreign company's branch:	CN - 1186468	03/01/1438H (corresponding to 04/10/2016G)	13/01/1439H (corresponding to 03/10/2017G)

Source: The Company

Table 66: Details of regulatory licenses and certificates obtained by the Company

The Company	Issuing Authority	License Number	Purpose	Date of Issue	Expiry Date
Gulf Steel Works (GSW)	Ministry of Commerce and Investment	2378	Industrial License	02/11/1435H (corresponding to 28/08/2014G)	21/10/1441H (corresponding to 13/06/2020G)
	Ministry of Commerce and Investment	65374	Initial Industrial license	18/06/1438H (corresponding to 17/03/2017G)	08/06/1439H (corresponding to 06/03/2018G)
	The Royal Commission of Jubail and Yanbu	EPO G08 - 524.1	Operational environmental license	13/06/1438H (corresponding to 12/03/2017G)	08/08/1443H (corresponding to 11/03/2022G)
	Al Khobar Chambers of Commerce, Saudi Arabia.	2804	Chamber of Commerce Membership Certificate	06/02/1438H (corresponding to 06/11/2016G)	07/02/1443H (corresponding to 14/09/2021G)
	General Organization for Social Insurance (GOSI)	502766376	Certificate of fulfilment of social insurance obligations	19/07/1438H (corresponding to 16/04/2017G)	08/12/1438H (corresponding to 10/09/2017G)
	General Authority of Zakat and Tax	1040053051	Zakat Certificate	30/11/1437H (corresponding to 02/09/2016G)	18/11/1439H (corresponding to 31/07/2018G)
	Ministry of Municipal and Rural Affairs, Eastern Region Secretariat, Al Khobar Municipality, Kingdom of Saudi Arabia	00188/434	A shop license	02/02/1434H (corresponding to 15/12/2012G)	01/02/1437H (corresponding to 13/11/2015G)

Source: The Company

8-4 Material Agreements

Most of the Company's activities involves the purchase of raw materials and contents of its products from suppliers, and the sale of its products to customers through purchase orders, whereby the price of the purchase and sale of the products and quantities are determined at times of demand. This method reflects the commercial custom of dealing in the field of steel industries in general.

The following is a summary of the substantive provisions of some agreements with the most important clients of the Company:

a. Guarantee

The Company shall guarantee to the customer that the works, products and industrial systems that are manufactured and supplied are free from defects until the end of the guarantee period. The customer has never had to be compensated.

b. Liquidated Damages

The Company shall pay liquidated damages ranging from 0.25% to 2% for each week of delay in delivery of products or delivery of documentation beyond the date specified in the Agreements or Purchase Orders if such delay is attributed to the Company, noting that the Company has not caused any delay nor paid any fine.

c. Termination

The Customer may, under these Agreements or Purchase Orders, have the right to terminate or suspend the work at its convenience while paying reasonable compensation to the Company.

d. Delays in Payment

In the event that the Company does not submit the invoices in accordance with the Customer's instructions set out in the Agreements or Purchase Orders, the Customer has the right to reject or delay payment without assuming any liability towards the Company for such rejection or delay. This has never happened.

e. Insurance:

The Company shall, under these Agreements or Purchase Orders, maintain specific insurance policies, including but not limited to marine cargo insurance, machinery and equipment breakdown insurance and comprehensive property insurance.

8-5 Insurance Policies

The Company maintains insurance policies covering different types of risks to which it may be exposed to. The following table sets out the key particulars of the insurance policies held by the Company:

Type of Insurance Coverage	Insurer	Validity	Maximum Insurance Coverage
Marine cargo insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/02/2017G to 31/01/2018G	SAR 400,000,000
Marine cargo insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/02/2017G to 31/01/2018G	SAR 200,000,000
Motor fleet insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/02/2017G to 31/01/2018G	SAR 200,000,000
Comprehensive car and machinery insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/04/2017G to 31/04/2018G	SAR 112,450,000
Money policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/04/2017G to 31/04/2018G	SAR 4,300,000
Property all risk insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/04/2017G to 31/04/2018G	SAR 128,000,000
Machinery breakdown insurance policy	Allianz Saudi Fransi Cooperative Insurance Company	From 01/04/2017G to 31/04/2018G	SAR 5,228,000
Medical insurance policy	Tawuniya Insurance	From 06/05/2017G to 05/05/2018G	SAR 500,000 per employee
Machinery and equipment insurance policy	Saudi United Cooperative Insurance Company ("Wala'a Insurance")	From 01/06/2017G to 31/05/2018G	SAR 105,110,311
Workmen's compensation policy	Saudi United Cooperative Insurance Company ("Wala'a Insurance")	From 01/06/2017G to 31/05/2018G	SAR 20,000,000
Public liability insurance policy	Saudi United Cooperative Insurance Company ("Wala'a Insurance")	From 01/06/2017G to 31/05/2018G	SAR 5,000,000

Source: The Company

8-6 Real Estate

The Company's plant and buildings in which the Company operates are constructed on lands leased for several years pursuant to lease agreements with the Royal Commission of Jubail and Yanbu and some Related Parties. The Company does not possess any real estate other than the land used for employee housing in Jubail. The following tables show the key details of title deeds and lease agreements:

8-6-1 Title Deeds

Company Name	Date of IssuANCE	Location	Size (Sqm)	Purpose
GSW	12/08/1438H (corresponding to 08/05/2017G)	Area M/2, Jubail	10,000	Employee housing in Jubail

Source: The Company

8-6-2 Lease Agreements

Lessee	Lessor	Location	Size (Sqm)	Annual Rent	Term of Lease/Renewal Mechanism	Purpose
The Company	The Royal Commission of Jubail and Yanbu	Jubail	129,296.7	SAR 581,835.15 (Bullet payment)	Ten Hijri years from 02/04/1435H (corresponding to 02/02/2014G), which may be renewed where the Company is willing to do so, subject to the consent of the Royal Commission for Jubail and Yanbu.	Lease of plot No. (3 + 274) in Support Industries Area for the purpose of operating a plant
The Company	Pan Gulf Holding Company	Jubail	91,000	SAR 500,000 (Bullet payment)	Five Gregorian years from 01/07/1438H (corresponding to 01/04/2017G), renewed automatically for a similar period unless either party notifies the other in writing of his/her desire to terminate the Agreement within a period of no less than two months prior to the expiration of the Agreement term.	Lease of plot No. (3) to be used as a warehouse and employee housing.
The Company	Pan Gulf Holding Company	Al Khobar	791	SAR 435,050 (Bullet payment)	Five Gregorian years from 01/09/1438H (corresponding to 01/06/2017G), renewed automatically for a similar period unless either party notifies the other in writing of his/her desire to terminate the Agreement within a period of no less than two months prior to the expiration of the Agreement term.	Lease of a property in the 8th floor of Pan Gulf Holding Company building to be used as the Company's business office.

Lessee	Lessor	Location	Size (Sqm)	Annual Rent	Term of Lease/Renewal Mechanism	Purpose
The Company	Khalid AlHamdan	Jubail	99,000	SAR 300,000 (Bullet payment)	Three Gregorian years from 01/07/1438H (corresponding to 01/04/2017G), renewed automatically for a similar period unless either party notifies the other in writing of his/her desire to terminate the Agreement within a period of no less than two months prior to the expiration of the Agreement term.	Lease of plot No. (214 + 215) to be used as a warehouse and an accommodation for workers.
The Company	Redhorse Property Management Company	Abu Dhabi	104	AED 145,200 (Bullet payment)	13 months from 26/09/1437H (corresponding to 01/07/2016G), renewed automatically for a similar period unless either party notifies the other in writing of his/her desire to terminate the Agreement within a period of no less than three months prior to the expiration of the Agreement term.	Lease of office No. (1003) in the 10th floor in Al Salam building to be used as the Company's business office.
The Company	Pan Gulf Holding Company	Jubail	10,000	First Year: SAR 200,000 Second Year: SAR 300,000 Third Year: SAR 400,000 (Bullet payment)	Three Gregorian years from 04/07/1438H (corresponding to 01/04/2017G), renewed automatically for a similar period unless either party notifies the other in writing of his/her desire to terminate the Agreement within a period of no less than two months prior to the expiration of the Agreement term.	Lease of plot No. (11) to be used as a training institute and an employee housing.

Source: The Company

8-7 Related party transactions

The Company acknowledges that there are no effective agreements or arrangements that have a material impact on the Company's business, in which the CEO, CFO, a Director or any relative thereof has a material interest in except as set out below.

The Company, its Board members and Shareholders confirm that all related party transactions were conducted in compliance with laws, regulations, and on commercial basis. None of the related parties has received a preferential treatment in this regard.

The agreements and transactions mentioned in Table 65 below were approved at the Company's Ordinary General Assembly on 02/02/1439H (corresponding to 22/10/2017G). It is worth mentioning that all transactions between the Company and Related Parties will be presented for approval on an annual basis as required under Article (46) of Corporate Governance Regulations corresponding to Article (71) of Companies Law.

Table 67: Details of arrangements of agreements between the Company and the Related Parties:

First Party:	Second Party	Type of Agreement	Services or products provided under the Agreement
Pan Gulf Welding Systems (PGWS)	The Company	Purchase Order	PGWS supplies and leases welding equipment and industrial machines, as well as special welding services pertaining to the Company under the Purchase Order.
Pan Gulf Pipe Systems	The Company	Purchase Order	Pan Gulf Pipe Systems supplies pipes and fittings to the Company under the Purchase Order.
Pan Gulf Building Materials	The Company	Purchase Order	Pan Gulf Building Materials supplies industrial equipment and machinery to the Company under the Purchase Order.
Pan Gulf Steel Company	The Company	Purchase Order	Pan Gulf Steel Company supplies steel to the Company under the Purchase Order.
Pan Gulf Steel and Industrial Products	The Company	Purchase Order	Pan Gulf Steel and Industrial Products supplies industrial floors and flooring and forming light steel products for the Company.
Pan Gulf Industrial Systems	The Company	Purchase Order	Pan Gulf Industrial Systems supplies safety and anti-fire systems to the Company under the Purchase Order.
The Company	Pan Gulf Industrial Systems	Purchase Order	The Company supplies water tanks to Pan Gulf Industrial Systems under the Purchase Order.
Pan Gulf Valves Services Company	The Company	Purchase Order	Pan Gulf Valves Services Company tests valves and assesses valve services for the Company.
Pan Gulf Technology	The Company	Service Agreement	Pan Gulf Technologies provides engineering services to the Company under this Agreement.
Gulf Mahmal Support Services Company	The Company	Service Agreement	Gulf Mahmal Support Services Company provides support services for the Company's Plant employees.
Pan Gulf Industrial Investment Company	The Company	Debt Acknowledgment Agreement	Pan Gulf Industrial Investment Company pays the amount due to the Company as part of the amounts used in the Joint Facility Agreement in accordance with this Agreement.
Pan Gulf Holding Company	The Company	Lease agreement	Pan Gulf Holding Company leases land to the Company to be used as a warehouse and an accommodation for workers.
Pan Gulf Holding Company	The Company	Lease agreement	Pan Gulf Holding Company leases a property in its building to be used as the Company's business office
Khalid AlHamdan	The Company	Lease agreement	Khalid AlHamdan leases the land to the Company to be used as a warehouse and an accommodation for workers.

8-8 LCs and Credit Facility Agreements

The Company has obtained several banking and credit facilities from Saudi Fransi Banque, National Commercial Bank, Samba Financial Group, Alawwal Bank, Al Rajhi Bank, and Aljazirah Bank in the form of short-term banking and credit facilities and long-term facility agreements with Alinma Bank. These facilities have been secured against corporate and personal guarantees.

It is worth mentioning that the Company is required to give a notice to Saudi Fransi Banque, National Commercial Bank, Alinma Bank, Samba Financial Group, Alawwal Bank, Aljazirah Bank, and Al Rajhi Bank, which have been notified that the Company intends to offer its shares in the parallel market. The Company has received a letter of approval for subscription from all these banks.

8-9 Litigation

There are no actual or potential judicial disputes, cases, complaints, or current or former investigation procedures that may, collectively or individually, have a material impact on the Company, nor has the Company been aware of any material or potential judicial disputes reviewed currently or formerly, or facts that may, collectively or individually, pose a danger regarding the occurrence of a material conflict.

It is worth noting that the Company has filed a lawsuit against Hyundai Engineering and Construction Ltd. before the ICC, which ordered the Company to pay USD 736,110 to Hyundai Engineering and Construction Ltd. The Company paid USD 300,000 and the remaining amount will be paid during the next three months. This case is attributed to a financial claim for additional works in 2012 regarding the project of construction of reservoirs in Habshan, Abu Dhabi. The Company has filed a claim for compensation to ICC. The Company has incurred the expenses of the arbitration and the detailed studies. The final award has been delivered to the satisfaction of the Parties, and the amount is made as agreed upon.

8-10 Summary of the Bylaws

The Company's Bylaws include the clauses set out below. Users must not rely completely on this Summary rather than the complete version of the Bylaws, which will be available for inspection at the Company's head office.

8-10-1 Company's Name:

Gulf Steel Works (a Saudi closed joint stock company)

8-10-2 Company Objectives:

The objectives of the Company are to:

- Establish and operate plants and market their products;
- Purchase land and construct buildings thereon and invest them by way of sale or lease for the Company's benefit;
- Supply, install, sell, and maintain gas control systems and central monitoring systems of gases and liquids;
- Execute contracts of construction and design facilities and utilities related to the production and processing of gas and petroleum, and other items related to refineries, chemical industries, tanks, containers, and all related works;
- Execute public construction contracting (implementation, operation, and maintenance of industrial, mechanical, electrical and electromechanical works), structure steel works (construction, repair, restoration, and demolition), thermal insulation contracting, fire protection, welding and thermal treatment works, and maintenance and cleaning of oil pipes and equipment; execute contracts regarding operation and maintenance of vessels, marine equipment, drilling machines supporting gas and petroleum activities, conduct drilling, extension and maintenance of information and digital networks, together with drilling, extension and maintenance of oil and gas pipelines, and offer operational services of oil and gas wells as well as provide supporting services; and design, supply, install and maintain oil, offshore and industrial skids;
- Maintain and repair gas, petroleum, diesel and turbine machinery and equipment;
- Manufacture and repair of railway equipment;
- Execute contracts regarding construction, maintenance and operation of equipment and installations of oil, gas, petrochemical industries, water, and wind;
- Produce various iron sheets, pipe joints and fittings, installations and ironwork, oil tanks, containers, pipes, turbines, loading and unloading systems, control systems, pressure measurement and control tools, devices for measuring flow of liquids and gases into petroleum and petrochemical installations, parts of measurement or control tools in the chain of successive industrial operations and broad supports, special steel forms, other pipe fittings, stainless steel pipes, pressure valves, heat exchangers, tanks, floors (iron walkers), iced water equipment, water injection machines, machinery to control the flow of liquids and gases from oil wells, instruments for measuring flow of fluids, parts and accessories of devices measuring flow of liquids and gases, control centres, control devices for meters, and control instruments installed at the wellhead under the Industrial License No. 2378 dated 2/11/1435H; and
- Establish, operate and manage training, development and rehabilitation centres.

The Company conducts its business in compliance with the established regulations and after obtaining the necessary licenses from the competent authorities, if any.

8-10-3 Participation and Interest in other companies

The Company may establish individual limited liability or closed joint stock companies, provided the capital shall be not less than SAR 5,000,000. It may own interests and shares in other existing companies or merge therewith. It shall also be entitled to participate with others in establishing joint stock or limited liability companies after meeting the requirements of the applicable laws and directives. The Company may dispose of its shares or stocks provided that this does not include brokerage.

8-10-4 Head Office of the Company

The Company's head office is located in Jubail and the Company may, by virtue of a decision made by the Company's Board of Directors, have branches, offices or agencies inside or outside the Kingdom.

8-10-5 Company Term

The term of the Company shall be ninety-nine (99) years commencing from the date of registration in the Commercial Register. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiry of its term.

8-10-6 Share Capital

The share capital of the Company is two hundred million Saudi riyals (SAR 200,000,000) divided into 50,000,000 shares of equal nominal value of ten (10) Saudi riyals, all of which are ordinary shares.

8-10-7 Sale of Non-Paid up Shares

Each Shareholder must pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board of Directors may, after notification of the Shareholder via email, notice, or registered mail, sell the share at public auction or on the stock exchange, as the case may be, in accordance with controls set by the competent authority.

The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the entire fortune of the Shareholder for the unpaid balance.

However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard.

The Company shall cancel the shares sold in accordance with this Article, and issue to the purchaser new shares bearing the serial numbers of the cancelled shares, and make a note to this effect in the Shares Register specifying the name of new holder.

8-10-8 Shares Issuance

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added in a separate item within shareholders' equity. Such amounts may not be distributed to shareholders as profits. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining thereto, and they shall be jointly responsible for the obligations arising from the ownership of the share.

8-10-9 Share Trading

Shares subscribed for by the founders may only be traded after publishing the financial statements for two financial years, each covering a period of at least 12 months from the date of the Company's incorporation. A notation shall be made on the respective share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended.

During the lock-up period, shares may, in accordance with the legal provisions for sale of rights, be transferred from one founder to another, from the heirs of a deceased founder to a third party, or in case of seizure of the funds of an insolvent or bankrupt founder, provided that the other founders are given priority to own such shares. The provisions of this Article shall be applicable to the founders in case of capital increase before the expiry of the lock-up period.

8-10-10 Shareholders' Register

Shares of companies shall be traded by virtue of recognition in the Shareholders' Register maintained by the Company, which shall include the Shareholders' names, nationalities, residence addresses, and occupations; the numbers of the shares; and the amounts paid up on such shares. In this entry, an annotation shall be made on the share.

A transfer of a nominal share shall only be effective from the date of its entry in the said register as far as the Company or third parties are concerned.

8-10-11 Increase of Share Capital

1- The Extraordinary General Meeting may resolve to increase the Company's capital, provided that the paid-up capital has been paid in full. The capital may not be paid in full where the unpaid part thereof belongs to shares issued in return for converting debts or financing instruments into shares while the term prescribed for its conversion has not ended yet.
2- In all cases, the Extraordinary General Assembly may allocate issued shares or any or some thereof to employees of the Company and its subsidiaries when the capital or part thereof increases. Shareholders may not exercise pre-emptive rights when the Company issues shares designated for employees.
3- The Shareholder may, upon a resolution adopted by the Extraordinary General Assembly to increase the capital, have pre-emptive rights to subscribe for new shares issued in consideration of cash shares. Such priority shall be published in a daily newspaper, or they shall be notifying of this priority by registered mail of capital increase resolution and subscription conditions, duration and date of commencement and termination.
4- The Extraordinary General Assembly may suspend the pre-emptive rights of the Shareholders to subscribe for increasing the capital in exchange for cash shares or giving priority to non-Shareholders in cases deemed appropriate for the interest of the Company.
5- A Shareholder may sell or waive its pre-emptive rights during the period from the approval of the General Assembly of capital increase until the last day of subscription for the new shares related to these rights in accordance with the measures imposed by the competent authorities.

Subject to Paragraph (4) above, new shares shall be distributed to pre-emptive right holders who request subscription in proportion to the total pre-emptive rights resulting from capital increase, provided that the number of shares allotted to them shall not exceed the number of new shares for which they have applied. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share in proportion to their pre-emptive right that they hold out of pre-emptive rights resulting from capital increase, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining shares shall be offered to third parties unless otherwise provided for by the Extraordinary General Assembly or the Capital Market Law.

8-10-12 Decrease of Share Capital

Capital may be decreased by a resolution of the Extraordinary General Assembly if it exceeds the Company's needs or if the Company suffers from losses. In the latter case only, the capital may be decreased to below the limit set in Article 54 of the Companies' Law. Such resolution shall be issued only after receiving a special report prepared by the auditor on the reasons for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the reason for capital decrease is due to the capital being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction within sixty days from the date of publication of the reduction resolution in a daily newspaper published in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents within the time limit set above, the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

8-10-13 Company's Management

The Company shall be managed by a Board of Directors consisting of six (6) members to be elected by the Ordinary General Assembly of Shareholders for a term not exceeding three years. They may always be re-elected. Membership of the first Board of Directors shall commence from date of registration.

As an exception to the above, the Constituent Assembly shall appoint the Company's first Board of Directors for a term of five (5) years.

8-10-14 Expiry of Board Membership

Board membership shall be terminated upon the expiry of the Board or due to a member becoming ineligible therefor pursuant to any law or directives applicable in the Kingdom. However, the Ordinary General Assembly may, at any time, remove all or any of the Board members without prejudice to the right of a removed Director to hold the Company liable

if the removal is made without acceptable justification or at an improper time. A Director may resign, provided that such resignation is made at a proper time, otherwise, he/she shall be liable to the Company for damages.

8-10-15 Board Vacancies

If the office of a Director becomes vacant, the Board may appoint a temporary Director having the experience and adequacy to fill the vacancy in the order of highest number of votes obtained. The Ministry shall be informed within five business days from the appointment date, provided that such appointment shall be presented to the first General Assembly. The new Board member shall complete the unexpired term of his/her predecessor. If the number of Board members falls below the minimum number prescribed in the Company's Bylaws or the Articles of Association, the Ordinary General Assembly must be convened within 60 days to elect the required number of Board members.

8-10-16 Board Authorities

Subject to the authorities reserved for the General Assembly, the Board shall have the widest authorities in managing the affairs of the Company in a manner that meets its objectives and may, within the limits of its terms of reference, delegate to one or more of its members or other parties the authority to perform certain work or works.

8-10-17 Remuneration of Board

Remuneration of Board Member shall be determined as per Article (5/46) and subject to the limits set by the Companies Law and its regulations. The Board's report to the Ordinary General Assembly must include a comprehensive statement of all of the amounts received by the Board members during the financial years as to remunerations, allowances, and other benefits. It shall also include a statement of all amounts received by the members in their capacity as employees or executives of the Company, or in consideration of technical, administrative or advisory services, together with a statement of the number of Board meetings and the number of meetings attended by every member as of the date of last General Assembly's meeting.

8-10-18 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

The Board shall appoint from among its members or others a Chairman, a Deputy Chairman, and a Managing Director. It shall not be permissible for a Director to simultaneously occupy both the office of the Chairman and any executive position in the Company.

The Chairman shall, amongst other things, have the power to call for and chair Board meetings, call all General Meetings of Shareholders, represent the Company in its relationships with third parties and before governmental and judicial authorities, notaries, courts, Committee for the Resolution of Securities Disputes, dispute resolution committees of all types and levels, arbitration tribunals, Chambers of Commerce and Industry, private bodies, companies and firms of different types. He/she shall also have the power to issue legal agencies, hire and dismiss lawyers and agents, plead, defend, discharge, conciliate, acknowledge, have recourse to arbitration, and accept and reject judgments on behalf of the Company. The Chairman may, on one hand, assign or delegate, on its behalf and within the scope of its powers, some of its powers to a third party to take a measure, a particular action, any work or certain works, together with having the right to cancel such assignment or delegation, wholly or partially. The agent may also assign others to do so.

The Managing Director shall manage the daily businesses of the Company and submit reports to the Board of Directors. He/she shall have all the powers vested in him/her in accordance with laws and regulations, and shall have the right to take all required decisions as directed by the Board.

The Board shall, at its discretion, determine special remuneration given to the Chairman of the Board and the Managing Director.

The Board shall appoint a Secretary from the Board or third parties and determine his/her remuneration. The Secretary's duties shall include entering and maintaining the proceedings and resolutions of the Board in minutes in a special register intended for such purpose, as well as maintaining and keeping such register. The term of the office of the Chairman, the Deputy Chairman, the Managing Director and the Secretary, if a member of the Board, shall not exceed their respective terms of service as members of the Board and may be re-elected. The Board may also dismiss any of them at any time without prejudice to the right of the dismissed to claim compensation, if the dismissal is due to invalid reasons or is carried out in an inappropriate time.

8-10-19 Board Meetings

The Board of Directors shall, at the invitation of its Chairman, meet at least twice a year. The invitation may be served in writing or via any means of communication. The Chairman must convene the Board if requested to do so by two Board members.

8-10-20 Quorum of Board Meeting

The Board Meeting shall be valid only if at least three members are present, and at least three of which are present in person. A member of the Board may appoint another member to attend the Board meeting as per the following controls:

- A Board member may not represent more than one member at any meeting.
- Proxy shall be in writing and for a specific meeting.
- A Board member acting by proxy may not vote on resolutions his/her principal is, by virtue of law, prohibited from voting on.
- Board resolutions shall be adopted by the majority of votes of the present and represented members. In the event of a tie, the side to which the Chairman belongs shall prevail.

8-10-21 Board Deliberations

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the Directors present and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

8-10-22 Composition of Committees

The Board shall form Committees, delegate powers thereto as the Board sees appropriate, and coordinate among such Committees so as to quickly decide the issues submitted thereto.

8-10-23 General Assemblies

Each shareholder, regardless of the number of his/her shares, has the right to attend the Constituent Assembly. Each Shareholder shall have the right to attend the General Assemblies of Shareholders and may appoint another person who is not a member of the Board of Directors or an employee of the Company to attend the General Assembly in his/her stead.

8-10-24 Responsibilities of the Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year within six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be convened as necessary.

8-10-25 Responsibilities of the Extraordinary General Assembly

An Extraordinary General Assembly of Shareholders shall have the power to amend the Company's Bylaws, except for those provisions whose amendment is prohibited by law. Furthermore, The Extraordinary General Assembly shall be entitled to adopt resolutions with respect to matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as the latter's.

8-10-26 Convening General Assemblies

Public and private shareholder assemblies shall be convened by virtue of a call made by the Board of Directors. The Board of Directors shall call for an Ordinary General Assembly if asked to do so by the auditor, by the Audit Committee or by a number of Shareholders representing at least 5% of the Company's capital. The Auditor may call for the convention of an assembly if the Board of Directors fails to call the Assembly to convene within thirty days from the date of the auditor's request.

The call for the General Assembly meeting shall, at least ten days prior to the date set for the meeting, be published in a daily newspaper distributed in the locality of the head office of the Company. However, a notice sent by registered mail within the time limit set above shall suffice. A copy of the invitation and agenda are to be sent to the Ministry during the time frame of publication.

8-10-27 Record of Attendance at General Assembly Meetings

Shareholders who wish to attend the General Assembly shall register their names at the Company's head office before the time specified for the Assembly.

8-10-28 Quorum of Ordinary General Assembly

The Ordinary General Assembly shall be valid only if attended by Shareholders representing at least one quarter of the Company's capital. If such a quorum cannot be attained, the second meeting may be held one hour after the expiry of the period specified for the first meeting, provided that the invitation to the first meeting shall contain the possibility of holding a second one.

8-10-29 Quorum of Extraordinary General Assembly

The Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least half of the Company's capital. If such a quorum cannot be attained in the first meeting, the second meeting may be held one hour after the expiry of the period specified for the first meeting, provided that the invitation to first meeting shall maintain the possibility of holding a second one.

In all cases, the second meeting shall be valid if attended by a number of Shareholders representing at least one quarter of the Company's share capital.

If this quorum is not attained to convene a second meeting, a notice shall be sent for a third meeting to be held in the same manner provided for in Article (30) of the Companies Law. The third meeting shall, subject to the competent authorities' approval, be deemed valid regardless of the number of shares represented therein.

8-10-30 Voting at Assemblies

Each subscriber shall have one vote for each share represented thereby at the Constituent Assembly. Each Shareholder shall have a vote for each share in the General Assemblies. Cumulative voting shall be used in the elections of the Board of Directors.

8-10-31 Assembly Resolutions

Resolutions of the Constituent Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's by-laws or merging the Company with another company, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

8-10-32 Committee Formation

An Audit Committee consisting of 3 members shall be formed from non-executive Board members whether from Shareholders or others under a resolution adopted by the Ordinary General Assembly. Such resolution shall include the Committee's duties, responsibilities, and remunerations of its members.

8-10-33 Committee Quorom

A meeting of the Audit Committee shall be valid if attended by a majority of its members. Resolutions shall be adopted by majority of the votes of the present members. In the event of a tie, the Chairman thereof shall have the casting vote.

8-10-34 Committee Responsibilities:

The Audit Committee shall be competent to control the Company's business. In order to do so, it shall be entitled to access the Company's records and documents and request any clarification from the Board of Directors or the executive management. Further, the Audit Committee may ask the Board of Directors to convene the Company's General Assembly if its business was hindered by the Board of Directors, or if the Company has sustained material losses or damages.

8-10-35 Committee Reports

The Audit Committee shall consider the Company's financial statements, reports and notes submitted by the auditor and provide its opinions thereof, if any. In addition, it shall prepare a report concerning its opinion on the adequacy and efficiency of the Company's internal control system along with other business within its scope of work. The Board of Directors shall place sufficient copies of the reports at the Company's Head Office at least ten days prior to the date set for convening the Ordinary General Assembly in order to provide the Shareholders with a copy thereof, if required. The report shall be read out at the meeting.

8-10-36 Appointment of the Auditor

The Company shall have one or more auditors from among those authorized to operate in the Kingdom of Saudi Arabia. Auditors shall be annually appointed by the Ordinary General Assembly, which shall specify their remuneration and term of office. The latter may, at any time, remove them without prejudice to their right to compensation, if such removal is made at an improper time or without acceptable justification.

8-10-37 Responsibilities of the Auditor

The auditor shall at all times have access to the Company's books, records and other documents. He/she shall be entitled to request such details and clarifications as he/she may deem it necessary to obtain, and to verify the Company's assets, liabilities and others that are within the scope of his/her work. The Chairman of the Board of Directors must enable the auditor to perform his/her duty. If the auditor encounters any difficulty in this respect, he/she shall state that fact in a report to be submitted to the Board of Directors. If the Board fails to facilitate his/her task, the auditor must ask the Board to call for a meeting of the Ordinary General Assembly to look into the matter.

8-10-38 Fiscal Year

The Company's fiscal year shall begin on 1 April and end on 31 March of each year, provided that the first financial year shall start on the date of the Ministerial Resolution announcing the conversion of the Company and end on 31 March of the current year.

8-10-39 Financial Documents

1- At the end of each financial year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended financial year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five days prior to the date set for convening the General Assembly.
2- The Chairman of the Board, CEO and CFO shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed at the Company's Head Office at the disposal of the Shareholders at least ten days prior to the date set for the General Assembly meeting.

The Chairman shall provide the Shareholders with the Company's financial statements, Board of Directors' report and auditor's report unless they are published in a daily newspaper distributed at the Company's Head Office. The Chairman shall also send a copy thereof to the Ministry at least fifteen days prior to the date set for the General Assembly meeting.

8-10-40 Distribution of Profits

The Company's annual net profits shall be distributed as follows:

- Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. The Ordinary General Assembly may discontinue such action when the statutory reserve amounts to (30%) of the Company's paid capital.
- The Ordinary General Assembly may, at the request of the Board of Directors, set aside five percent (5%) of the annual net profits to form an additional reserve to be allocated to one or more specific purposes.
- The Ordinary General Assembly may resolve to form other reserves to the extent that they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Assembly may also withhold certain amounts from the net profits for the creation of social organizations for the Company's staff, or for supporting the existing organizations.
- Out of the reminder, a percentage of at least 5% of the paid-up capital of the Company shall be distributed to the Shareholders.
- Subject to Article (20) of the Company's Bylaws and Article 76 of the Companies Law, five percent (5%) of the rest of the net profits shall be allocated to the remuneration of the Board of Directors, provided that the remuneration entitlement shall be proportional to the number of meetings attended by each Director.

8-10-41 Payment of Dividends

Each Shareholder shall be entitled to his/her dividend share in accordance with the General Assembly's resolution passed in this respect. Such resolution shall state the date of entitlement and date distribution. Only Shareholders registered in the Shareholders Register at the end of the due day shall be entitled to profits.

8-10-42 Company Losses

1- If the total losses of a joint stock company equal half of its paid-up capital at any time during the financial year, any of the Company's officers or auditors must, upon being aware of such losses, inform the Chairman. The Chairman shall, immediately, inform the Board of Directors of such losses, and the Board shall call for an Extraordinary General Assembly meeting within forty-five days from the date on which the Chairman was informed. Such meeting shall be held to consider whether the Company's capital is to be increased or decreased – in accordance with the provisions of the Companies Law – to cause the losses to be less than half of the paid-up capital, or whether the Company is to be dissolved before the expiry of the term specified in its Bylaws.

2- The Company shall, by virtue of the Companies Law, be deemed dissolved if the General Assembly meeting is not held within the defined period specified in Paragraph (1) of this Article, or if the meeting is held but fails to reach a resolution for such issue, or if the meeting resolves to increase the Company's capital in accordance with the conditions stipulated in this Article and the increase was not fully subscribed for within ninety days from such resolution.

8-10-43 Liability Action

Each Shareholder shall have the right to file action for liability to the Company against the members of the Board if they have committed a fault which has caused some particular damage to such Shareholder. The Shareholder may not file such action unless the Company's right to file such action is still valid. The Shareholder shall notify the Company of his/her intention to bring such action.

8-10-44 Company's Expiry

Upon its expiry, the Company shall enter into liquidation while retaining its legal personality to the extent required for the wind up. The decision for voluntary liquidation shall be issued by the Extraordinary General Assembly, and must include the appointment of a liquidator, specification of his/her powers, fees, restrictions thereon and the period required for the liquidation process. The period of voluntary liquidation shall not exceed five years, and may be extended only by a judicial order. The powers of the Board of Directors shall expire upon the dissolution of the Company. However, they shall continue to manage the Company and shall be deemed by third parties as liquidators until a liquidator has been appointed. The Shareholders General Assembly shall, during the liquidation period, continue to exercise its powers to the extent that they do not interfere with the powers of the liquidator.

9. Use of Proceeds

The expected value of the total proceeds from the Subscription is SAR [•], of which approximately SAR [•] will be paid as expenses and costs incurred for release including the fees of the Financial Advisor, the Legal Advisor for the Offering, the Financial Due Diligence Advisor, and costs of marketing, printing and distribution, along with other expenses and costs related to the Offering. It should be noted that the Company will not bear any of the expenses relating to the Offering, but they will be deducted from the proceeds of the Offering. The selling Shareholders will pay the expenses of the Offering incurred by the Company immediately upon completion thereof.

Net proceeds of the Subscription estimated at approximately SAR [•] shall be distributed to the Selling Shareholders, each in proportion to the percentage of his/her ownership in the Company's capital. The Company shall not receive any amount from the proceeds of the Subscription to be used in financing any future projects.

10. Expert Statements

The Advisors whose names are set out in pages (iv) and (v) have given, and not withdrawn as of the date of publication of this Prospectus, their written consent to the publication of their names, addresses, logos, and statements in the Prospectus. Moreover, none of the Advisors, their employees, or relatives have any shareholding or interest of any kind in the Company as of the date of Prospectus that may affect their independence.

11. Declarations

The Board Members declare that:

- There has not been any interruption in the Company's business which may have or has had significant effect on its financial position in the last 12 months;
- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company within the year immediately preceding the application for listing in connection with the issue or sale of any shares.
- There has not been any material adverse change in the Company's financial or trading position in the last year immediately preceding the application for registration and admission to listing.
- Except as disclosed on page [43] of this Prospectus, no Director or any of their relatives have interests of any kind in the Company.

12. Expenses

All expenses related to the Offering will be incurred by the Selling Shareholders, which are estimated to be approximately SAR [•] million. Such expenses will be deducted from total Offering Proceeds amounting to SAR [•] million. Offering expenses cover the fees of the Financial Advisor, Legal Advisor for the Offering, and the Financial Due Diligence Advisor as well as other expenses related to the Offering.

It should be noted that the Company will not bear any of the expenses relating to the Offering, but they will be deducted from the proceeds of the Offering. The Selling Shareholders will pay Offering expenses incurred by the Company immediately upon completion thereof.

13. Information on Shares and Offering Terms and Conditions

The Company submitted an application for admission and listing pursuant to the Parallel Market Listing Rules issued by CMA in the Kingdom of Saudi Arabia, and this Prospectus and all supporting documents requested by CMA have been approved. All official approvals related to the Offering have been obtained for the Parallel Market.

13-1 Offering

Six million (6,000,000) fully-paid ordinary shares with a nominal value of (SAR 10) ten Saudi riyals per Share, representing 30% of the Company's share capital, will be offered for subscription. These Shares will be offered at a price of SAR [•] per Share with a total value of SAR [•].

13-2 How to apply

Subscription shall be restricted to the following Qualified Investors:

1- Authorized persons acting for their own account;
2- Clients of an Authorized Person authorized to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client;
3- the Government of the Kingdom, any government body, any supranational authority recognized by the CMA or the Exchange, and any other stock exchange recognized by the CMA or the Securities Depository Center;
4- Government-owned companies, whether investing directly or through a portfolio managed by a person authorized to carry out managing activities;
5- Companies and funds established in a member state of the GCC;
6- Investment funds;
7- Qualified foreign investors;
8- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Centre;
9- Any other natural persons allowed to open an investment account in the Kingdom and an account at the Depository Centre and fulfill any of the following criteria:
   (a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months;
   (b) the average size of his securities portfolio shall exceed 10 million Saudi riyals during the last twelve months, or
   (c) holds the General Securities Qualification Certificate which is recognised by the CMA.
10- Any other persons prescribed by the CMA.

Application Forms will be available through the Lead Manager during the subscription period. Subscription applications must be completed in accordance with the instructions specified in this Prospectus and the Subscription Form. Each Subscriber must agree to the terms and conditions and complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event that any of the subscription terms and conditions is not met, or the instructions are not duly and timely followed. Amendments to and/or withdrawal of the Subscription Application Form shall not be permitted so long as the Subscription Application Form has been submitted. The Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Company.

13-3 Offering Period and Conditions

The Financial Advisor and Lead Manager will begin to receive Subscription Application Forms as on 09/03/1439H (corresponding to 27/11/2017G) to 30/03/1439H (corresponding to 18/12/2017G). In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, the Subscription Application Form shall be considered void.

The final date for submitting Subscription Applications Forms will be 30/03/1439H (corresponding to 18/12/2017G).

The minimum number of shares to be subscribed to is 500 ordinary shares with a value of SAR [•]. The maximum number of shares to be subscribed to is 999,999 ordinary shares with a value of SAR [•].

Subscription Applications accompanied by the documents required by the Subscription Form must be submitted during the Offering Period.

13-4 Allocations and Refunds

The Financial Advisor will open escrow accounts, and each Subscriber must deposit the subscription amounts into such accounts. The shares will be allocated for subscription as proposed by the financial advisor in consultation with the issuer. Notification of the final allocation and the refund of excess subscription monies, if any, will be made no later than 01/04/1439H (corresponding to 19/12/2017G).

The Financial Advisor will send confirmation/notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with excess subscription monies, if any, to be refunded. The Financial Advisor will also refund to the Subscribers any monies for which no Offer Shares were allocated to the relevant Subscribers without any commission or deduction, as provided in the confirmation/notification letters. For more information, Subscribers should contact the Financial Advisor.

13-5 Circumstances and Times where Listing may be Suspended or Cancelled

Power to Suspend or Cancel of Listing

CMA may at any time suspend or cancel the listing as it deems fit in any of the following circumstances:

- CMA considers it necessary to protect the investors;
- The Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its Implementing Regulations, including a failure to pay any fees or fines due to the CMA on time;
- CMA considers that the Company does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the parallel market;
- CMA considers that the Company or its business is no longer suitable to warrant the continued listing of its securities on the Parallel Market.

Voluntary Cancellation or Suspension of Listing

1- A Company whose securities have been admitted to listed in the Parallel Market may not suspend or cancel the listing of its securities on the Parallel Market without prior approval of the CMA. The Company must provide the CMA with the following:
   (a) Specific reasons for the request for the suspension or cancellation;
   (b) A copy of the announcement of the reason for cancellation;
   (c) If the cancellation is to take place as a result of a takeover or other corporate action by the Company, a copy of the relevant documentation and a copy of each related communication to Shareholders.
2- Once approval is received from the CMA for cancellation of the listing, the Company must obtain the consent of its Extraordinary General Assembly.
3- Where a suspension or cancellation is made at the Company's request, the Company must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, and the nature of the event resulting in the suspension or the cancellation which affects the Company's activities.
4- The CMA may, at its discretion, accept or reject the request for suspension or cancellation.

13-6 Resolutions and Approvals under which the Shares are Offered

All official approvals relating to the Offer have been obtained, including:

1- The Board of Directors Resolution dated 18/01/1439H (corresponding to 09/10/2017G).
2- CMA's consent to the registration and listing in the parallel market announced on its website dated 12/02/1439H (corresponding to 01/11/2017G).

13-7 Statement of any existing arrangements to prevent disposal of certain shares

The persons whose names are included in the Prospectus as the Selling Shareholders as indicated on page (28) shall be subject to CMA restrictions on trading its shares for period of (12) months from the date the shares are traded in the parallel market. After the Lock-up period has elapsed, Selling Shareholders (except for the Substantial Shareholder) may only dispose their shares, after obtaining prior approval from CMA. In addition to such period, Pan Gulf Industrial Investment Company Limited (the "Substantial Shareholder") may not dispose of the shares for period of (12) months after the end of the Lock-up Period. The Substantial Shareholder may dispose of its shares after the end of the 24-month period

Other than the aforementioned, there are no existing arrangements precluding disposal of any of the Company's shares.

14. Subscription Declarations

14-1 Subscription Acknowledgments and Declarations

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe to the number of shares specified in the Subscription Application Form;
- Declares that he/she has read the Prospectus and understood all of its contents;
- Accepts the Bylaws of the Company, the terms mentioned in the Prospectus, and all instructions related to subscription;
- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing therefrom, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus;
- Declares that neither himself/she nor any of his/her family members included in the Subscription Application Form has previously subscribed for the Shares, and agrees that the Company has the right to reject duplicate subscription applications;
- Accepts the number of allocated shares and all other subscription instructions and terms mentioned in the Subscription Application Form and the Prospectus;
- Warrants not to cancel or amend the Subscription Application Form after submission to the Receiving Agent.

14-2 Allocation Processes

The Financial Advisor shall open escrow accounts, and each Subscriber shall deposit the subscription amounts into such accounts. Notification of the final allocation and the refund of excessive subscription monies, if any, will be made no later than 01/04/1439H (corresponding to 19/12/2017G).

14-3 Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990, full electronic trading in Saudi Arabian equities was introduced. Trading on Tadawul occurs through a fully integrated system covering the entire process from the execution of transaction to settlement. Trading is conducted on each business day in a week starting from Sunday to Thursday at 10:00 am to 3:00 pm, during which time the orders are executed. However, beyond those times, orders can be entered, amended and cancelled from 9:30 am until 10:00 am.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit). If several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet, which supplies trading data in real time to the information providers, such as Reuters. Exchange transactions are settled within two working days, meaning that the period between the execution of the trade and the ownership transfer and the actual payment for the trade takes place is estimated to be within two working days.

The Company is required to report all material decisions and information to the investors via Tadawul. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market to ensure fair trading and efficient market operations.

14-4 Trading on Tadawul

It is expected that dealing in the Shares will commence on the Parallel market after finalization of the allocation process and the announcement of the start date of trading by Tadawul is expected in [•]. Dates and times included in this Prospectus are initial and indicative, which means that they may be changed or extended subject to the approval of CMA.

Offer Shares can only be traded after allocated Shares have been credited to Applicants' accounts at "Tadawul", the Company has been registered in the Official List, and its Shares have been listed in the Parallel Market. Pre-trading is strictly prohibited, and Applicants entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

15. Procedures of Incomplete Offer

Should the Offer not be complete on the Offer Completion Date specified in the Prospectus and submitted to CMA, the Financial Advisor shall, within a period of 10 days following the expiry of the Offer period, file a written notice signed thereby confirming non-completion of the Offer.

The Company will comply with any decision, instructions, or actions made by CMA in case of non-completion of the Offer.

16. Documents Available for Inspection

All of the Company's documents related to the Offer of its Shares and acceptance of listing in the Parallel Market will be available for inspection at the Company's Head Office located at (Al Khobar) from 9:00 am to 4:00 pm as of 08/03/1439H (corresponding to 27/11/2017G) to 29/03/1439H (corresponding to 18/12/2017G) on business days (from Sunday to Thursday). This period shall not be less than 7 days before the end of the Offer period. These documents include but are not limited to:

- The Company's Commercial Registration;
- The Company's Bylaws;
- The Company's Board resolution approving the application for Listing in the Parallel Market;
- The Company's valuation report;
- All other reports and documents related to the Offer, along with value estimates, data, approvals prepared by any expert or advisor, or any document that has been referred to in this Prospectus;
- The audited financial statements of the Company for the last financial year immediately preceding the date of the publication of this Prospectus, in addition to the most recent interim financial statements.

17. Auditor’s Report

GULF STEEL WORKS FACTORY COMPANY

(FORMERLY GULF STEEL WORKS COMPANY)

(LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED MARCH 31, 2017

Al-Bassam & Al-Nemer
Allied Accountants
(Member firm of PKF International)

Audit – Consultants – Zakat & Tax

AUDITOR'S REPORT

To the shareholders
Gulf Steel Works Factory Company
(Formerly Gulf Steel Works Company)
Jubail, Kingdom of Saudi Arabia.

Scope of Audit

We have audited the balance sheet of Gulf Steel Works Factory Company (Formerly Gulf Steel Works Company) ("the Company"), a Saudi limited liability Company, as of March 31, 2017 and the related statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 20 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to preparation and presentation of these financial statements.

Emphasis of matter

We draw your attention to note 1 of the financial statement with respect to the conversion of the Company to closed joint stock company.

PKF Al-Bassam & Al-Nemer
Allied Accountants.

المحاسبون المتحالفون
ترخيص رقم
520/11/323
Licence No.:
Allied Accountants

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
20 Shaaban, 1438
May 16, 2017

P.P. License 323 / 11 / 520 / Ibrahim Al Bassam license (337) - Abdul Mohsen Al Nemer license (399)
Kingdom of Saudi Arabia (Riyadh / Jeddah / Khobar)

GULF STEEL WORKS FACTORY COMPANY

(FORMERLY GULF STEEL WORKS COMPANY)

(LIMITED LIABILITY COMPANY)

BALANCE SHEET

AS OF MARCH 31, 2017

	Note	2017 SR	2016 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	**4,933,077**	1,611,064
Accounts receivable, net	4	**276,476,629**	213,389,064
Revenue recognized in excess of billing		**312,929,372**	155,338,283
Inventories	5	**107,985,306**	156,310,982
Prepayments and other receivables		**26,342,029**	39,050,259
Total current assets		**728,666,413**	565,699,652
Non-current assets			
Property and equipment	6	**232,986,305**	217,115,460
Intangible assets	7	**963,797**	1,190,860
Total non-current assets		**233,950,102**	218,306,320
TOTAL ASSETS		**962,616,515**	784,005,972
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable and short term borrowing	8	**368,826,781**	238,611,270
Term loans – current portion	9	**21,476,184**	12,476,184
Obligations under capital leases – current portion	10	**1,177,938**	1,177,945
Accounts payable and other liabilities	11	**204,174,949**	242,699,144
Billing in excess of revenue recognized		**5,793,314**	29,417,712
Total current liabilities		**601,449,166**	524,382,255
Non-current liabilities			
Term loans	9	**641,960**	7,118,144
Obligations under capital leases	10	**1,345,392**	2,523,324
End-of-service indemnities	12	**15,538,383**	13,027,526
Total non-current liabilities		**17,525,735**	22,668,994
Shareholders' equity			
Share capital	1	**200,000,000**	50,000,000
Statutory reserve	13	**29,364,163**	18,695,474
Retained earnings		**114,277,451**	168,259,249
Total shareholders' equity		**343,641,614**	236,954,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**962,616,515**	784,005,972

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS FACTORY COMPANY

(FORMERLY GULF STEEL WORKS COMPANY)

(LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 2017

	Note	2017 SR	2016 SR
Revenue	14	**844,392,139**	531,812,343
Cost of revenue	14	**(670,159,251)**	(427,344,869)
Gross profit		**174,232,888**	104,467,474
Selling and marketing expenses	15	**(5,613,440)**	(5,072,571)
Provision for doubtful debts		**(4,838,024)**	(8,500,000)
General and administrative expenses	16	**(40,209,330)**	(33,150,915)
Operating income		**123,572,094**	57,743,988
Finance charges	8,9,10	**(13,411,933)**	(6,433,729)
Other (expense) income		**(3,473,270)**	86,292
NET INCOME		**106,686,891**	51,396,551

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS FACTORY COMPANY

(FORMERLY GULF STEEL WORKS COMPANY)

(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2017

	2017 SR	2016 SR
OPERATING ACTIVITIES		
Net income	**106,686,891**	51,396,551
Adjustments for:		
Depreciation and amortization	**18,821,118**	17,622,661
Provision for doubtful debts	**4,838,024**	8,500,000
Gain on disposal of property and equipment	**(2,181)**	(71,179)
Finance charges	**13,411,933**	6,433,729
End-of-service indemnities	**3,561,550**	4,214,757
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	**(55,098,398)**	(51,669,064)
Revenue recognized in excess of billing	**(157,591,089)**	(121,374,025)
Inventories	**48,325,676**	(52,934,592)
Accounts payable and other liabilities	**(38,336,032)**	111,880,643
Billing in excess of revenue recognized	**(23,624,398)**	(13,452,140)
Cash used in operations	**(79,006,906)**	(39,452,659)
Finance charges paid	**(13,411,933)**	(6,433,729)
End-of-service indemnities paid	**(1,238,856)**	(2,017,278)
Net cash used in operating activities	**(93,657,695)**	(47,903,666)
INVESTING ACTIVITIES		
Additions to property and equipment	**(33,920,485)**	(35,152,337)
Proceeds from disposal of property and equipment	**90,144**	181,111
Additions to intangible assets	**(751,339)**	(1,679,081)
Net cash used in investing activities	**(34,581,680)**	(36,650,307)
FINANCING ACTIVITIES		
Notes payable and short term borrowings	**130,215,511**	100,362,102
Term loans, net	**2,523,816**	(18,476,184)
Obligations under capital leases	**(1,177,939)**	3,599,807
Net cash from financing activities	**131,561,388**	85,485,725
Net change in cash and cash equivalents	**3,322,013**	931,752
Cash and cash equivalents, April 1	**1,611,064**	679,312
CASH AND CASH EQUIVALENTS, MARCH 31	**4,933,077**	1,611,064
Non-cash transactions:		
Property and equipment transferred to / (from) a related party	**118,961**	(18,802,469)
Increase in share capital via transfer from retained earning	**150,000,000**	-
End of service indemnities provision transferred from a related party	**188,163**	-

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS FACTORY COMPANY

(FORMERLY GULF STEEL WORKS COMPANY)

(LIMITED LIABILITY COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED MARCH 31, 2017

	Share Capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
April 1, 2015	50,000,000	13,555,819	122,002,353	**185,558,172**
Net income for the year	-	-	51,396,551	**51,396,551**
Transfer to statutory reserve	-	5,139,655	(5,139,655	-
March 31, 2016	50,000,000	18,695,474	168,259,249	**236,954,723**
Increase in share capital (note 1)	150,000,000	-	(150,000,000	-
Net income for the year	-	-	106,686,891	**106,686,891**
Transfer to statutory reserve	-	10,668,689	(10,668,689	-
March 31, 2017	200,000,000	29,364,163	114,277,451	**343,641,614**

The accompanying notes form an integral part of these financial statements

1- ORGANIZATION AND ACTIVITIES

Gulf Steel Works Factory Company (Formerly Gulf Steel Works Company) ("the Company") is a Saudi limited liability company and was registered on 16 Jumada I, 1429 (May 21, 2008) under commercial registration number 2051037320.

During the year, the Company converted its original branch commercial registration number 2055003300 to be its main commercial registration while the main commercial registration number 2051037320 was reflected as its branch and accordingly the name of the Company was changed from "Gulf Steel Works Company" to "Gulf Steel Works Factory Company".

During the year, the shareholders resolved to increase the share capital from SR 50 million to SR 200 million by way of transfer of SR 150 million from retained earnings to share capital. The legal formalities relating to the increase in the share capital were completed during the year.

The shareholding of the Company as of March 31, 2017 and 2016 are as follows:

	2017		2016	
	No of shares	SR '000	No of shares	SR '000
Pan Gulf Industrial Investment Company	19,800,000	198,000	4,950,000	49,500
Pan Gulf Steel Company	200,000	2,000	50,000	500
	20,000,000	200,000	5,000,000	50,000

On 24 Jumada' II, 1438H corresponding to March 23, 2017, the shareholders of the Company resolved to convert the Company from a Limited Liability Company to a Closed Joint Stock Company. Subsequent to year end, the Company obtained the ministerial approval on the conversion via resolution number 227/K dated 7 Rajab, 1438H corresponding to April 3, 2017.

As of March 31, 2017 the Company has following branches:

Branch Name	Branch Locations	CR number	Date
Gulf Steel Works Factory (Main CR, Formerly a branch)	Jubail	2055003300	08/05/1414H
Gulf Petro Systems	Jubail	2055025786	16/06/1438H
Gulf Steel Works (Currently branch, formerly main CR)	Jubail	2051037320	16/05/1429H
Khalijiah Institute for Industrial Training	Jubail	2055019783	22/07/1434H
Gulf Steel Works LLC	Abu Dhabi, UAE	1186468	18/08/2010

The results, assets and liabilities of all the branches of the Company are included in the accompanied financial statements.

The main activities of the Company and its branches are the construction of steel works, general construction contracting, industrial, mechanical and electrical works, design, import, installation and maintenance of oil rigs and industrial onshore and offshore rigs.

The main activities of Khalijiah Institute for Industrial Training are to establish, operate and manage training and development centers.

The principal place of business is in Jubail Industrial City, Kingdom of Saudi Arabia.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Ministry of Commerce and Investment commenced the implementation of the new Companies Regulations effective 25 Rajab1437H corresponding to 2 May 2016 ("the effective date") promulgated by Royal Decree No. M/3 dated 28 Muharram 1437H. The new regulations shall replace the Companies Regulations promulgated by Royal Decree No. M/6 dated 22 Rabi'I 1385H and it shall supersede all provisions that are inconsistent therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their bylaws to comply with the requirements of the provisions of the new companies' regulations within a period of one year of the effective date of the companies' regulations.

The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Progress payment and advance received form customers in respect of customers are deducted from the amount of contract work in progress and excess payment on contract if any are shown as a liability.

Revenue from short term contracts is recognized when the service or products are accepted by the clients in accordance with the terms of the contracts.

Revenue from sale of goods is recognized upon delivery of goods to customers.

Unbilled revenue included in the current assets represents costs incurred plus recognized profits (less recognized losses) that exceed the progress billings as of the balance sheet date. These amounts will be billed in the subsequent period.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Accounts receivable

Account receivables are carried at their original amount less provision made for doubtful debts. An allowance for doubtful debts is established when there is significant doubt that the Company will be able to collect all amounts due according to the original terms of account receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished goods and work-in-process includes cost of raw materials, labor and an appropriate proportion of direct overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Allowance is made, where necessary, for obsolete slow moving and damaged stocks.

Property and equipment

Property and equipment held for use in the production of or supply of goods or services or for administrative purposes are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable property and equipment using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of property and equipment are as follows:

	Years
Buildings	3-33
Machinery and equipment	3-20
Vehicles	4-5
Furniture, fixtures and office equipment	4-5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising in the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

Intangible assets

Intangible assets comprise mainly pre-operating expenses relating to new production facilities and implementation cost of software and fees incurred in connection with the loan obtained from the financial institutions. These are amortized, using the straight-line method, over a period of 1 to 5 years.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Borrowing costs

Borrowing costs directly attributable to the project under construction are added to the cost of the project until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization. All other interest costs are charged to statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

Provisions for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat

Zakat for the Company is filed with the General Authority of Zakat and Tax ("GAZT") on a consolidated basis by the Holding Company, Pan Gulf Industrial Investment Company. Consequently, provision for zakat and the related note disclosures are reported in the consolidated financial statements of the Holding Company.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

3- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. At March 31, 2017 and 2016, cash and cash equivalents comprise entirely of cash and bank balances.

4- ACCOUNTS RECEIVABLE, NET

	2017 SR	2016 SR
Accounts receivable – trade	200,639,070	117,047,601
Retentions receivable	65,147,026	86,669,891
Due from related parties (note 14)	10,690,533	9,671,572
	276,476,629	213,389,064

Retention receivables are collected over a period exceeding one year given the nature of contracts.

5- INVENTORIES

	2017 SR	2016 SR
Raw materials	51,643,103	95,468,392
Work-in-process	30,425,213	36,028,835
Consumables and others	25,916,990	24,813,755
	107,985,306	156,310,982

6- PROPERTY AND EQUIPMENT

	Land and buildings SR	Machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital-work-in progress SR	Total SR
Cost						
April 1, 2016	143,701,073	164,937,555	9,201,835	7,435,589	9,821,194	335,097,246
Additions	24,000	4,392,796	654,642	841,172	28,007,875	33,920,485
Transfer	2,500,000	6,169,506	-	-	(8,669,506	-
Transfer to a related party	-	-	-	-	(118,961)	(118,961)
Disposal	-	-	(1,264,084)	-	-	(1,264,084)
March 31, 2017	146,225,073	175,499,857	8,592,393	8,276,761	29,040,602	367,634,686
Depreciation						
April 1, 2016	37,862,712	66,851,342	7,474,841	5,792,891	-	117,981,786
Charge for the year	5,525,316	10,815,375	715,170	786,855	-	17,842,716
Disposal	-	-	(1,176,121)	-	-	(1,176,121)
March 31, 2017	43,388,028	77,666,717	7,013,890	6,579,746	-	134,648,381
Net book value						
March 31, 2017	102,837,045	97,833,140	1,578,503	1,697,015	29,040,602	232,986,305
March 31, 2016	105,838,361	98,086,213	1,726,994	1,642,698	9,821,194	217,115,460

The buildings are constructed on land leased from the Royal Commission of Jubail and Yanbu, at a nominal rent, for a term of 10 Hijri years, ending Sha'ban 1442 (March 2021), with an option of renewal.

Capital work-in-progress at March 31, 2017 mainly includes cost incurred towards acquisition of machinery, construction works to improve the production facility area in Jubail.

The Company's property and equipment as of March 31, 2017 includes assets acquired under capital leases at a cost of SR 17.77 million (2016: SR 18.4 million) and accumulated depreciation of SR 8.97 million (2016: SR 8.3 million) (note 10) respectively. These assets are currently under the name of Pan Gulf Holding Company which have waived their rights in these assets to the Company.

7- INTANGIBLE ASSETS

	Engineering software SR
Cost	
April 1, 2016	10,719,863
Additions	751,339
March 31, 2017	11,471,202
Amortization	
April 1, 2016	9,529,003
Charge for the year	978,402
March 31, 2017	10,507,405
Net book value	
March 31, 2017	963,797
March 31, 2016	1,190,860

8- NOTES PAYABLE AND SHORT TERM BORROWING

The Company has bank facilities from local banks for overdraft, term loans, letters of credit and promissory notes. Notes payable represent amounts payable under letters of credit for purchases. These facilities are secured by the personal guarantee of the shareholders, signed promissory note and assignment of contract proceeds against project finance facilities. These facilities are subject to finance charges based on commercial rates.

9- TERM LOANS

	2017 SR	2016 SR
Term loans	**22,118,144**	19,594,328
Less: current portion	**(21,476,184)**	(12,476,184)
	641,960	7,118,144

During the year, the Company obtained a medium term loan of SR 20 million from a local bank to finance a project requirement made during the year. The loan is repayable in 16 equal monthly installments commencing December 2016. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2015, the Company obtained a term loan of SR 20 million from a local bank to finance the project requirement made during the year. The loan is repayable in 20 equal monthly installments commencing February 2015. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note. The loan was fully repaid during the year.

In 2013, the Company obtained a term loan of SR 13.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing May 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2012, the Company obtained a term loan of SR 20.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing March 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

10- OBLIGATIONS UNDER CAPITAL LEASES

	2017 SR	2016 SR
Within one year	**1,342,140**	1,342,140
More than one year	**1,508,725**	2,850,859
Minimum lease payment	**2,850,865**	4,192,999
Less: finance costs	**(327,535**	(491,730
	2,523,330	3,701,269
Less: current portion	**(1,177,938**	(1,177,945
	1,345,392	2,523,324

	2017 SR	2016 SR
Finance costs on capital leases recognized as an expense during the year	**164,196**	74,235

The Company has leased vehicles and cranes under capital lease contracts with a lease period of 4 years and at the end of which the title will be transferred to the Company. All lease contracts are based on fixed installments and secured by the lessor's charge over the leased vehicles (note 6).

11- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017 SR	2016 SR
Accounts payable and accrued contracts cost	**159,145,318**	153,085,486
Advances from customers	**8,087,601**	24,754,905
Due to related parties (note 14)	**17,069,085**	55,519,660
Accrued employees benefits	**4,746,568**	4,228,663
Provision for custom duty	**2,897,708**	2,318,150
Others	**12,228,669**	2,792,280
	204,174,949	242,699,144

12- END-OF-SERVICE INDEMNITIES

	2017 SR	2016 SR
April 1	**13,027,526**	10,830,047
Provision during the year	**3,561,550**	4,214,757
Provision transferred from a related party	**188,163**	-
Utilization of provision	**(1,238,856)**	(2,017,278)
March 31	**15,538,383**	13,027,526

13- STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

14- RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Pan Gulf Industrial Investment Company and its subsidiaries	Shareholders/Affiliates
Pan Gulf Holding Company and its subsidiaries and affiliates	Ultimate Shareholder / Affiliates

The significant transactions and the related approximate amounts are as follows:

	2017 SR	2016 SR
Revenue	**(3,643,988)**	(1,485,585)
Purchases	**47,042,175**	43,427,001
Services received	**14,043,388**	9,641,758
Property and equipment transferred to (from) a related party	**118,961**	(18,802,469)
End of service indemnities provision transferred from a related party	**(188,163)**	-

Due from related parties balances and due to related parties balances are included under note 4 and note 11 respectively.

15- SELLING AND MARKETING EXPENSES

	2017 SR	2016 SR
Salaries and related costs	**3,529,865**	3,452,094
Business promotion related expenses	**2,083,575**	1,620,477
	5,613,440	5,072,571

16- GENERAL AND ADMINISTRATIVE EXPENSES

	2017 SR	2016 SR
Salaries and related costs	**17,359,669**	12,765,230
Depreciation and amortization	**2,290,845**	2,129,754
Accommodation expenses	**1,483,497**	1,184,585
Recruitment expenses	**2,650,071**	1,846,162
Telephone, fax and courier charges	**491,872**	331,625
Training	**2,603,348**	2,804,081
Insurance	**1,276,863**	1,078,685
Others	**12,053,165**	11,010,793
	40,209,330	33,150,915

17- OPERATING LEASE ARRANGEMENTS

	2017 SR	2016 SR
Payments under operating leases recognized as an expense during the year	**1,948,343**	1,627,540

Operating lease payments represent rentals payable by the Company for land leased in Jubail. Leases are negotiated for an average term of one year to ten years and rentals are fixed for one year.

18- CONTINGENCIES AND COMMITMENTS

At March 31, the Company had the following contingencies and commitments:

	2017 SR	2016 SR
Letters of credit	**91,760,286**	186,092,817
Letters of guarantee	**122,471,488**	149,605,701

Part of the Company's facilities amounting to SR 33.4 million (short term loans SR 23.2 million and letter of credits SR 10.2 million) as of March 31, 2017 were assigned to related parties. Also the Company is using facilities of related parties amounting to SR 10.7 million (Letter of credits SR 2.8 million and letter of guarantee SR 7.9 million) as of March 31, 2017.

19- COMPARATIVE FIGURES

Certain figures for 2016 have been reclassified to conform to the presentation in the current year.

20- FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED MARCH 31, 2016

PKF
Audit – Consultants – Zakat & Tax

Al-Bassam & Al-Nemer
Allied Accountants

AUDITORS' REPORT

To the shareholders
Gulf Steel Works Company
Jubail, Kingdom of Saudi Arabia.

Scope of Audit

We have audited the balance sheet of Gulf Steel Works Company ("the Company"), a Saudi limited liability Company, as of March 31, 2016 and the related statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 20 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to preparation and presentation of these financial statements.

PKF Al-Bassam & Al-Nemer
Allied Accountants

المحاسبون المتحالفون
ترخيص رقم
520/11/323
Licence No.
Allied Accountants

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
10 Ramadan, 1437
June 15, 2016

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Kingdom of Saudi Arabia (Riyadh / Jeddah / Khobar) www.sa-pkf.com

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

BALANCE SHEET

AS OF MARCH 31, 2016

	Note	2016 SR	2015 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	**1,611,064**	679,312
Accounts receivable	4	**364,927,347**	225,446,932
Inventories	5	**160,110,982**	103,376,390
Prepayments and other receivables		**39,050,259**	17,777,685
Total current assets		**565,699,652**	347,280,319
Non-current assets			
Property and equipment	6	**217,115,460**	179,800,214
Intangible assets	7	**1,190,860**	604,812
Total non-current assets		**218,306,320**	180,405,026
TOTAL ASSETS		**784,005,972**	527,685,345
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable and short term borrowing	8	**238,611,270**	138,249,168
Term loans – current portion	9	**12,476,184**	18,476,184
Obligations under capital leases – current portion	10	**1,177,945**	67,948
Accounts payable and other liabilities	11	**242,699,144**	112,006,132
Billing in excess of revenue recognized		**29,417,712**	42,869,852
Total current liabilities		**524,382,255**	311,669,284
Non-current liabilities			
Term loans	9	**7,118,144**	19,594,328
Obligations under capital leases	10	**2,523,324**	33,514
End-of-service indemnities	12	**13,027,526**	10,830,047
Total non-current liabilities		**22,668,994**	30,457,889
Shareholders' equity			
Share capital	1	**50,000,000**	50,000,000
Statutory reserve	13	**18,695,474**	13,555,819
Retained earnings		**168,259,249**	122,002,353
Total shareholders' equity		**236,954,723**	185,558,172
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**784,005,972**	527,685,345

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 2016

	Note	2016 SR	2015 SR
Revenue	15	**531,812,343**	389,714,059
Cost of revenue	15	**(427,344,869)**	(326,519,070)
Gross profit		**104,467,474**	63,194,989
Selling and marketing expenses	16	**(5,072,571)**	(3,795,513)
Provision for doubtful debts		**(8,500,000**	(3,900,000)
General and administrative expenses	17	**(33,150,915)**	(29,997,831)
Operating income		**57,743,988**	25,501,645
Finance charges	8,9,10	**(6,433,729)**	(8,175,949)
Other income		**86,292**	83,691
NET INCOME		**51,396,551**	17,409,387

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	2016 SR	2015 SR
OPERATING ACTIVITIES		
Net income	**51,396,551**	17,409,387
Adjustments for:		
Depreciation and amortization	**17,622,661**	14,995,668
Provision for doubtful debts	**8,500,000**	3,900,000
Gain on disposal of property and equipment	**(71,179)**	(17,904)
Finance charges	**6,433,729**	8,175,949
End-of-service indemnities	**4,214,757**	2,576,950
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	**(169,243,089)**	10,073,037
Inventories	**(56,734,592**	19,111,373
Accounts payable and other liabilities	**111,880,643**	(5,545,945)
Billing in excess of revenue recognized	**(13,452,140)**	40,360,699
Cash (used in) from operations	**(39,452,659)**	111,039,214
Finance charges paid	**(6,433,729)**	(8,127,671)
End-of-service indemnities paid	**(2,017,278)**	(1,059,306)
Net cash (used in) from operating activities	**(47,903,666)**	101,852,237
INVESTING ACTIVITIES		
Additions to property and equipment	**(35,152,337)**	(23,099,794)
Proceeds from disposal of property and equipment	**181,111**	37,000
Additions to intangible assets	**(1,679,081)**	(60,865)
Net cash used in investing activities	**(36,650,307)**	(23,123,659)
FINANCING ACTIVITIES		
Notes payable and short term loan	**100,362,102**	(70,205,948)
Term loans, net	**(18,476,184)**	(8,267,851)
Obligations under capital leases	**3,599,807**	(327,062)
Net cash from (used in) financing activities	**85,485,725**	(78,800,861)
Net change in cash and cash equivalents	**931,752**	(72,283)
Cash and cash equivalents, April 1	**679,312**	751,595
CASH AND CASH EQUIVALENTS, MARCH 31	**1,611,064**	679,312
Non-cash transactions:		
Property and equipment transferred (from) to a related party	**(18,802,469)**	12,873
Net movement in contribution from shareholder	**-**	(13,847,634)

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED MARCH 31, 2016

	Share capital	Statutory reserve	Contribution from shareholders	Retained earnings	Total
	SR	SR	SR	SR	SR
April 1, 2014	28,000,000	11,814,880	35,847,634	106,333,905	**181,996,419**
Net income for the year	-	-	-	17,409,387	**17,409,387**
Increase in share capital (note 1)	22,000,000	-	(22,000,000)	-	**-**
Transfer to statutory reserve	-	1,740,939	-	(1,740,939)	**-**
Net movement during the year	-	-	(13,847,634)	-	**(13,847,634)**
March 31, 2015	50,000,000	13,555,819	-	122,002,353	**185,558,172**
Net income for the year	-	-	-	51,396,551	**51,396,551**
Transfer to statutory reserve	-	5,139,655	-	(5,139,655)	**-**
March 31, 2016	50,000,000	18,695,474	-	168,259,249	**236,954,723**

The accompanying notes form an integral part of these financial statements

1- ORGANIZATION AND ACTIVITIES

Gulf Steel Works Company ("the Company") is a Saudi limited liability company registered on 16 Jumada I, 1429 (May 21, 2008) under commercial registration number 2051037320.

In 2015, the shareholders resolved to increase the Company's share capital to SR 50 million by transferring an amount of SR 22 million from contribution from shareholders.

In 2015, the Company shareholding has been changed by increasing the shareholding of Pan Gulf Industrial Investment Company "PGIIC" ("the Holding Company"), a new shareholder and the withdrawal of other shareholder, accordingly the current shareholding is as follows:

	Percentage	SR '000'
Pan Gulf Industrial Investment Company	99%	49,500
Pan Gulf Steel Company	1%	500
	100%	50,000

The legal formalities associated with the increase in share capital and the change in shareholding have been completed during prior year.

In 2015, Pan Gulf Steel Company assigned its shareholding rights of the Company to Pan Gulf Industrial Investment Company.

As of March 31, 2016 the Company has following branches:

Branch Name	Branch Locations	CR number	Date
Gulf Steel Works LLC	Abu Dhabi, UAE	1186468	18/08/2010
Gulf Institute for Industrial Training	Jubail	2055019783	22/07/1434H
Gulf Steel Works Factory	Jubail	2055003300	08/05/1414H

The results, assets and liabilities of all the branches of the Company are included in the accompanied financial statements.

The main activities of the Company and its branches are the construction of steel works, general construction contracting, industrial, mechanical and electrical works, design, import, installation and maintenance of oil rigs and industrial onshore and offshore rigs.

The main activities of Gulf Institute for Industrial Training are to establish, operate and manage training and development centers.

The principal place of business is in Jubail Industrial City, Kingdom of Saudi Arabia.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Progress payment and advance received form customers in respect of customers are deducted from the amount of contract work in progress and excess payment on contract if any are shown as a liability.

Revenue from short term contracts is recognized when billed in accordance with the terms of the contracts.

Revenue from sale of goods is recognized upon delivery of goods to customers.

Unbilled revenue included in the current assets represents costs incurred plus recognized profits (less recognized losses) that exceed the progress billings as of the balance sheet date. These amounts are billed in the subsequent period.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Account receivables

Account receivables are carried at their original amount less provision made for doubtful debts. An allowance for doubtful debts is established when there is significant doubt that the Company will be able to collect all amounts due according to the original terms of account receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished goods and work-in-process includes cost of raw materials, labor and an appropriate proportion of direct overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Allowance is made, where necessary, for obsolete slow moving and damaged stocks.

Investments

Investments in companies which are wholly owned and its rights of shareholding are assigned to the Holding company are not booked as they are ultimately consolidated at the Holding company level.

Property and equipment

Property and equipment held for use in the production of or supply of goods or services or for administrative purposes are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable property and equipment using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of property and equipment are as follows:

	Years
Buildings	3-33
Machinery and equipment	3-20
Vehicles	4-5
Furniture, fixtures and office equipment	4-5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising in the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

Intangible assets

Intangible assets comprise mainly pre-operating expenses relating to new production facilities and implementation cost of software fees incurred in connection with the loan obtained from the financial institutions. These are amortized, using the straight-line method, over a period of 1 to 5 years.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Borrowing costs

Borrowing costs directly attributable to the project under construction are added to the cost of the project until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization. All other interest costs are charged to statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

Provisions for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat

Zakat for the Company is filed with the Department of Zakat and Income Tax ("DZIT") on a consolidated basis by the Holding Company, Pan Gulf Industrial Investment Company. Consequently, provision for zakat and the related note disclosures are reported in the consolidated financial statements of the Holding Company.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

3- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. At March 31, 2016 and 2015, cash and cash equivalents comprise entirely of cash and bank balances.

4- ACCOUNTS RECEIVABLE

	2016 SR	2015 SR
Accounts receivable – trade	117,047,601	112,138,634
Retentions receivable	82,869,891	70,241,606
Revenue recognized in excess of billings	155,338,283	33,964,258
Due from related parties (note 15)	9,671,572	9,102,434
	364,927,347	225,446,932

Accounts receivable of SR 17.1 million (2015: SR 13.9 million) outstanding for more than 270 days. Management believes that these amounts are recoverable and sufficient provision was provided against them in these financial statements.

Retention receivables are collected over a period exceeding one year given the nature of contracts.

5- INVENTORIES

	2016 SR	2015 SR
Raw materials	102,810,476	76,159,671
Work-in-process	36,028,835	16,621,164
Consumables and others	21,271,671	10,595,555
	160,110,982	103,376,390

6- PROPERTY AND EQUIPMENT

	Land and buildings SR	Machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital-work-in progress SR	Total SR
Cost						
April 1, 2015	129,331,872	128,366,821	10,785,163	6,568,242	5,147,739	**280,199,837**
Additions	425,651	14,551,104	206,100	867,347	19,102,135	**35,152,337**
Transfer	13,943,550	485,130	-	-	(14,428,680)	**-**
Disposal	-	-	(1,789,428)	-	-	**(1,789,428)**
Transfer from a related party	-	21,534,500	-	-	-	**21,534,500**
March 31, 2016	143,701,073	164,937,555	9,201,835	7,435,589	9,821,194	**335,097,246**
Depreciation						
April 1, 2015	32,865,144	54,131,945	8,300,213	5,102,321	-	**100,399,623**
Charge for the year	4,997,568	9,987,366	854,124	690,570	-	**16,529,628**
Disposal	-	-	(1,679,496)	-	-	**(1,679,496)**
Transfer from a related party	-	2,732,031	-	-	-	**2,732,031**
March 31, 2016	37,862,712	66,851,342	7,474,841	5,792,891	-	**117,981,786**
Net book value						
March 31, 2016	105,838,361	98,086,213	1,726,994	1,642,698	9,821,194	**217,115,460**
March 31, 2015	96,466,728	74,234,876	2,484,950	1,465,921	5,147,739	**179,800,214**

The buildings are constructed on land leased from the Royal Commission of Jubail and Yanbu, at a nominal rent, for a term of 10 Hijri years, ending Sha'ban 1442 (March 2021), with an option of renewal.

Capital work-in-progress at March 31, 2016 mainly includes cost incurred towards acquisition of machinery, construction works to improve the production facility area in Jubail.

The Company's property and equipment as of March 31, 2016 includes assets acquired under capital leases at a cost of SR 18.4 million (2015: SR 14.2 million) and accumulated depreciation of SR 8.3 million (2015: SR 7.7 million) (note 10) respectively.

7- INTANGIBLE ASSETS

	Engineering software SR
Cost	
April 1, 2015	9,040,782
Additions	1,679,081
March 31, 2016	10,719,863
Amortization	
April 1, 2015	8,435,970
Charge for the year	1,093,033
March 31, 2016	9,529,003
Net book value	
March 31, 2016	1,190,860
March 31, 2015	604,812

8- NOTES PAYABLE AND SHORT TERM BORROWING

The Company has bank facilities from local banks for overdraft, term loans, letters of credit and promissory notes. Notes payable represent amounts payable under letters of credit for purchases. These facilities are secured by the personal guarantee of the shareholders, signed promissory note and assignment of contract proceeds against project finance facilities. These facilities are subject to finance charges based on commercial rates.

9- TERM LOANS

	2016 SR	2015 SR
Term loans	19,594,328	38,070,512
Less: current portion	12,476,184	18,476,184
	7,118,144	19,594,328

In 2015, the Company obtained a term loan of SR 20 million from a local bank to finance the project requirement made during the year. The loan is repayable in 20 equal monthly installments commencing February 2015. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2013, the Company obtained another term loan of SR 13.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing May 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2012, the Company obtained a term loan of SR 20.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing March 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

10- OBLIGATIONS UNDER CAPITAL LEASES

	2016 SR	2015 SR
Within one year	1,342,140	76,536
More than one year	2,850,859	39,125
Minimum lease payment	4,192,999	115,661
Less: finance costs	491,730	14,199
	3,701,269	101,462
Less: current portion	1,177,945	67,948
	2,523,324	33,514

	2016 SR	2015 SR
Finance costs on capital leases recognized as an expense during the year	74,235	48,278

The Company has leased vehicles and cranes under capital lease contracts with a lease period of 4 years and at the end of which the title will be transferred to the Company. All lease contracts are based on fixed installments and secured by the lessor's charge over the leased vehicles.

11- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2016 SR	2015 SR
Accounts payable and accrued contracts cost	146,742,354	43,409,620
Advances from customers	24,754,905	11,483,552
Due to related parties (note 15)	55,519,660	43,362,642
Accrued employees benefits	4,228,663	3,422,649
Provision for custom duty	2,318,150	1,356,033
Others	9,135,412	8,971,636
	242,699,144	112,006,132

12- END-OF-SERVICE INDEMNITIES

	2016 SR	2015 SR
April 1	10,830,047	9,312,403
Provision during the year	4,214,757	2,576,950
Utilization of provision	(2,017,278)	(1,059,306)
March 31	13,027,526	10,830,047

13- STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

14- CONTRIBUTION FROM SHAREHOLDERS

Contribution from shareholders represents the net assets transferred to the Company upon inception and other cash advances provided by shareholders to support the Company's operations.

15- RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Pan Gulf Industrial Investment Company and its subsidiaries	Shareholders/Affiliates
Pan Gulf Holding Company and its subsidiaries and affiliates	Ultimate Shareholder / Affiliates

The significant transactions and the related approximate amounts are as follows:

	2016 SR	2015 SR
Revenue	**(1,485,585)**	(9,900)
Purchases	**43,427,001**	57,346,277
Services received	**9,641,758**	-
Management fee	**-**	1,620,000
Property and equipment transferred (from) to a related party	**(18,802,469)**	12,873

Due from related parties balances and due to related parties balances are included under note 4 and note 11 respectively.

16- SELLING AND MARKETING EXPENSES

	2016 SR	2015 SR
Salaries and related costs	**3,452,094**	2,198,393
Business promotion related expenses	**1,620,477**	1,597,120
	5,072,571	3,795,513

17- GENERAL AND ADMINISTRATIVE EXPENSES

	2016 SR	2015 SR
Salaries and related costs	**12,765,230**	11,297,918
Management fee (note 15)	**-**	1,620,000
Depreciation and amortization	**2,129,754**	2,886,350
Accommodation expenses	**1,184,585**	939,636
Recruitment expenses	**1,846,162**	2,451,779
Telephone, fax and courier charges	**331,625**	632,239
Training	**2,804,081**	2,258,170
Insurance	**1,078,685**	2,361,023
Others	**11,010,793**	5,550,716
	33,150,915	29,997,831

18- OPERATING LEASE ARRANGEMENTS

	2016 SR	2015 SR
Payments under operating leases recognized as an expense during the year	**1,627,540**	1,718,171

Operating lease payments represent rentals payable by the Company for land leased in Jubail. Leases are negotiated for an average term of one year to ten years and rentals are fixed for one year.

19- CONTINGENCIES AND COMMITMENTS

At March 31, the Company had the following contingencies and commitments:

	2016 SR	2015 SR
Letters of credit	**186,092,817**	145,830,960
Letters of guarantee	**149,605,701**	121,887,807

20- FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

YEAR ENDED MARCH 31, 2015

Deloitte.

Deloitte & Touche
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AUDITORS' REPORT

To the shareholders
Gulf Steel Works Company
Jubail, Kingdom of Saudi Arabia.

Scope of Audit

We have audited the balance sheet of Gulf Steel Works Company ("the Company"), a Saudi limited liability Company, as of March 31, 2015 and the related statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 20 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
ترخيص رقم ٩٦ Lic.96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

Mazen A. Al-Omari
License No. 480
22 Ramadan, 1436
July 9, 2015

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

BALANCE SHEET

AS OF MARCH 31, 2015

	Note	2015 SR	2014 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	679,312	751,595
Accounts receivable	4	225,446,932	246,040,893
Inventories	5	103,376,390	122,487,763
Prepayments and other receivables		17,777,685	24,991,522
Total current assets		347,280,319	394,271,773
Non-current assets			
Property and equipment	6	179,800,214	170,287,131
Intangible assets	7	604,812	1,984,873
Total non-current assets		180,405,026	172,272,004
TOTAL ASSETS		527,685,345	566,543,777
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	8	138,249,168	208,455,116
Term loans – current portion	9	18,476,184	12,726,185
Obligations under capital leases – current portion	10	67,948	328,387
Accounts payable and other liabilities	11	112,006,132	117,552,077
Billing in excess of revenue recognized		42,869,852	2,509,153
Total current liabilities		311,669,284	341,570,918
Non-current liabilities			
Term loans	9	19,594,328	33,612,178
Obligations under capital leases	10	33,514	51,859
End-of-service indemnities	12	10,830,047	9,312,403
Total non-current liabilities		30,457,889	42,976,440
Shareholders' equity			
Share capital	1	50,000,000	28,000,000
Statutory reserve	13	13,555,819	11,814,880
Contribution from shareholders	1,14	-	35,847,634
Retained earnings		122,002,353	106,333,905
Total shareholders' equity		185,558,172	181,996,419
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		527,685,345	566,543,777

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 2015

	Note	2015 SR	2014 SR
Revenue	15	**389,714,059**	414,035,623
Cost of revenue	15	**(326,519,070)**	(340,846,283
Gross profit		**63,194,989**	73,189,340
Selling and marketing expenses	16	**(3,795,513)**	(3,474,497)
Provision for doubtful debts		**(3,900,000)**	(550,000)
General and administrative expenses	17	**(29,997,831)**	(28,888,698)
Operating income		**25,501,645**	40,276,145
Finance charges	8,9,10	**(8,175,949)**	(10,590,165)
Other income		**83,691**	352,917
NET INCOME		**17,409,387**	30,038,897

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015 SR	2014 SR
OPERATING ACTIVITIES		
Net income	17,409,387	30,038,897
Adjustments for:		
Depreciation and amortization	14,995,668	15,450,434
Provision for doubtful debts	3,900,000	550,000
Gain on disposal of property and equipment	(17,904)	(90,000)
Write off of property and equipment	-	46,252
Finance charges	8,175,949	10,590,165
End-of-service indemnities	2,576,950	2,847,931
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	10,073,037	(6,187,457)
Inventories	19,111,373	5,449,449
Accounts payable and other liabilities	(5,545,945)	(32,000,584)
Billing in excess of revenue recognized	40,360,699	2,509,153
Cash from operations	111,039,214	29,204,240
Finance charges paid	(8,127,671)	(10,333,576)
End-of-service indemnities paid	(1,059,306)	(914,189)
Net cash from operating activities	101,852,237	17,956,475
INVESTING ACTIVITIES		
Additions to property and equipment	(23,099,794)	(11,721,886)
Proceeds from disposal of property and equipment	37,000	90,000
Additions to intangible assets	(60,865)	(294,109)
Net cash used in investing activities	(23,123,659)	(11,925,995)
FINANCING ACTIVITIES		
Notes payable	(70,205,948)	12,390,638
Term loans, net	(8,267,851)	(17,284,518)
Obligations under capital leases	(327,062)	(937,161)
Net cash used in financing activities	(78,800,861)	(5,831,041)
Net change in cash and cash equivalents	(72,283)	199,439
Cash and cash equivalents, April 1	751,595	552,156
CASH AND CASH EQUIVALENTS, MARCH 31	679,312	751,595
Non-cash transactions:		
Property and equipment transferred to a related party	12,873	
Net movement in contribution from shareholder	(13,847,634	

The accompanying notes form an integral part of these financial statements

GULF STEEL WORKS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED MARCH 31, 2015

	Share capital	Statutory reserve	Contribution from shareholders	Retained earnings	Total
	SR	SR	SR	SR	SR
April 1, 2013	28,000,000	8,810,990	35,847,634	79,298,898	**151,957,522**
Net income for the year	-	-	-	30,038,897	**30,038,897**
Transfer to statutory reserve	-	3,003,890	-	(3,003,890)	**-**
March 31, 2014	28,000,000	11,814,880	35,847,634	106,333,905	**181,996,419**
Net income for the year	-	-	-	17,409,387	**17,409,387**
Increase in share capital (note 1)	22,000,000	-	(22,000,000)	-	**-**
Transfer to statutory reserve	-	1,740,939	-	(1,740,939)	**-**
Net movement during the year	-	-	(13,847,634)	-	**(13,847,634)**
March 31, 2015	50,000,000	13,555,819	-	122,002,353	**185,558,172**

The accompanying notes form an integral part of these financial statements

1- ORGANIZATION AND ACTIVITIES

Gulf Steel Works Company ("the Company") is a Saudi limited liability company registered on 16 Jumada I, 1429 (May 21, 2008) under commercial registration number 2051037320.

During the year, the shareholders resolved to increase the Company's share capital to SR 50 million by transferring an amount of SR 22 million from contribution from shareholders.

During the year, the Company shareholding has been changed by increasing the shareholding of Pan Gulf Industrial Investment Company "PGIIC" ("the Holding Company") - formerly Pan Gulf Investment Company, a new shareholder and the withdrawal of other shareholder, accordingly the current shareholding is as follows:

	2015		2014	
	Percentage	SR '000'	Percentage	SR '000'
Pan Gulf Industrial Investment Company	99%	49,500	10%	2,800
Pan Gulf Steel Company	1%	500	-	-
Pan Gulf Holding Company	-	-	90%	25,200
	100%	50,000	100%	28,000

The legal formalities associated with the increase in share capital and the change in shareholding have been completed during current year.

During the year, Pan Gulf Steel Company assigned its shareholding rights of the Company to Pan Gulf Industrial Investment Company.

As of March 31, 2015 the Company has following branches:

Branch Name	Branch Locations	CR number	Date
Gulf Steel Works LLC	Abu Dhabi, UAE	1186468	18/08/2010
Gulf Institute for Industrial Training	Jubail	2055019783	22/07/1434
Gulf Steel Works Factory	Jubail	2055003300	08/05/1414

The results, assets and liabilities of all the branches of the Company are included in the accompanied financial statements.

The main activities of the Company and its branches are the construction of steel works, general construction contracting, industrial, mechanical and electrical works, design, import, installation and maintenance of oil rigs and industrial onshore and offshore rigs.

The main activities of Gulf Institute for Industrial Training are to establish, operate and manage training and development centers.

The principal place of business is in Jubail Industrial City, Kingdom of Saudi Arabia.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Progress payment and advance received form customers in respect of customers are deducted from the amount of contract work in progress and excess payment on contract if any are shown as a liability.

Revenue from short term contracts is recognized when billed in accordance with the terms of the contracts.

Revenue from sale of goods is recognized upon delivery of goods to customers.

Unbilled revenue included in the current assets represents costs incurred plus recognized profits (less recognized losses) that exceed the progress billings as of the balance sheet date. These amounts are billed in the subsequent period.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finish goods and work-in-process includes cost of raw materials, labor and an appropriate proportion of direct overheads.

Investments

Investments in companies which are wholly owned and its rights of shareholding are assigned to the Holding company are not booked as they are ultimately consolidated at the Holding company level.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for capital work-in-progress which is stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is charged over the estimated useful lives of the applicable property and equipment using the straight line method. The estimated useful lives of the principal classes of property and equipment are as follows:

	Years
Buildings	3-33
Machinery and equipment	3-20
Vehicles	4-5
Furniture, fixtures and office equipment	4-5

Intangible assets

Intangible assets comprise mainly pre-operating expenses relating to new production facilities and implementation cost of software fees incurred in connection with the loan obtained from the financial institutions. These are amortized, using the straight-line method, over a period of 1 to 5 years.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

Provisions for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat

Zakat for the Company is filed with the Department of Zakat and Income Tax ("DZIT") on a consolidated basis by the Holding Company, Pan Gulf Industrial Investment Company. Consequently, provision for zakat and the related note disclosures are reported in the consolidated financial statements of the Holding Company.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

3- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. At March 31, 2015 and 2014, cash and cash equivalents comprise entirely of cash and bank balances.

4- ACCOUNTS RECEIVABLE

	2015 SR	2014 SR
Accounts receivable – trade	112,138,634	112,643,615
Retentions receivable	70,241,606	71,395,874
Revenue recognized in excess of billings	33,964,258	24,802,769
Claims receivables	-	6,031,956
Due from related parties	9,102,434	31,166,679
	225,446,932	246,040,893

In 2013, the Company incurred cost of SR 30 million against additional works for a project executed by the Company's branch in Abu Dhabi (note 1). These additional works resulted from the changes to the initial project's scope and specifications. Such costs were not originally included in the value of the original project concluded with the project's owner. The Company's management is pursuing to recover the value of these additional works through issuing a claim of SR 36.8 million based on relevant provisions of the contract signed with the project's owner.

Although the Company's management is confident of favorable outcome on these claims, the management decided not to book the claim value awaiting customer acceptance on such additional works.

Accounts receivable and retention receivable of SR 13.9 million (2014: SR 19.5 million) and SR 41.5 million (2014: SR 17.9 million), respectively are outstanding for more than one year. Management believes that these amounts are recoverable and sufficient provision was provided against them in these financial statements.

5- INVENTORIES

	2015 SR	2014 SR
Raw materials	76,159,671	79,435,632
Work-in-process	16,621,164	35,989,037
Consumables and others	10,595,555	7,063,094
	103,376,390	122,487,763

6- PROPERTY AND EQUIPMENT

	Land and buildings SR	Machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital-work-in progress SR	Total SR
Cost						
April 1, 2014	123,697,483	114,514,928	9,963,768	5,809,489	3,365,898	**257,351,566**
Additions	150,000	12,637,782	1,060,045	758,753	8,493,214	**23,099,794**
Disposals	-	-	(238,650)	-	-	**(238,650)**
Transfer	5,484,389	1,214,111	-	-	(6,698,500)	**-**
Transfer to a related party	-	-	-	-	(12,873)	**(12,873)**
March 31, 2015	129,331,872	128,366,821	10,785,163	6,568,242	5,147,739	**280,199,837**
Depreciation						
April 1, 2014	27,808,889	47,416,819	7,415,060	4,423,667	-	**87,064,435**
Charge for the year	5,056,255	6,715,126	1,104,707	678,654	-	**13,554,742**
Disposals	-	-	(219,554)	-	-	**(219,554)**
March 31, 2015	32,865,144	54,131,945	8,300,213	5,102,321	-	**100,399,623**
Net book value						
March 31, 2015	96,466,728	74,234,876	2,484,950	1,465,921	5,147,739	**179,800,214**
March 31, 2014	95,888,594	67,098,109	2,548,708	1,385,822	3,365,898	**170,287,131**

The buildings are constructed on land leased from the Royal Commission of Jubail and Yanbu, at a nominal rent, for a term of 10 Hijra years, ending Sha'ban 1442 (March 2021), with an option of renewal.

Capital work-in-progress at March 31, 2015 mainly includes cost incurred towards acquisition of machinery, construction works to improve the production facility area in Jubail 2.

The Company's property and equipment as of March 31, 2015 includes assets acquired under capital leases at a cost of SR 14.2 million (2014: SR 13.8 million) and accumulated depreciation of SR 7.7 million (2014: SR 6.6 million) (note 10).

7- INTANGIBLE ASSETS

	Engineering software SR	Pre-operating cost SR	Total SR
Cost			
April 1, 2014	8,979,917	4,200,961	**13,180,878**
Additions	60,865	-	**60,865**
March 31, 2015	9,040,782	4,200,961	**13,241,743**
Amortization			
April 1, 2014	7,738,633	3,457,372	**11,196,005**
Charge for the year	697,337	743,589	**1,440,926**
March 31, 2015	8,435,970	4,200,961	**12,636,931**
Net book value			
March 31, 2015	604,812	-	**604,812**
March 31, 2014	1,241,284	743,589	**1,984,873**

8- NOTES PAYABLE

The Company has bank facilities from local banks for overdraft, term loans, letters of credit and promissory notes. Notes payable represent amounts payable under letters of credit for purchases. These facilities are secured by the personal guarantee of the shareholders, signed promissory note and assignment of contract proceeds against project finance facilities. These facilities are subject to finance charges based on commercial rates.

9- TERM LOANS

	2015 SR	2014 SR
Term loans	38,070,512	46,338,363
Less: current portion	18,476,184	12,726,185
	19,594,328	33,612,178

During the year, the Company obtained a term loan of SR 20 million from a local bank to finance the project requirement made during the year. The loan is repayable in 20 equal monthly installments commencing February 2015. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2013, the Company obtained a term loan of SR 25 million from a local bank to finance the property and equipment additions made in that year. The loan is repayable in 48 equal monthly installments commencing June 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note. The loan was fully repaid during the year.

In 2013, the Company obtained another term loan of SR 13.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing May 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

In 2012, the Company obtained a term loan of SR 20.5 million from a local bank. The loan is repayable in 20 equal quarterly installments commencing March 2013. The loan carries finance charges at commercial rates, and is secured by personal guarantees of the shareholders and a promissory note.

10- OBLIGATIONS UNDER CAPITAL LEASES

	2015 SR	2014 SR
Within one year	**76,536**	374,379
Year two	**39,125**	57,756
Minimum lease payment	**115,661**	432,135
Less: finance costs	**14,199**	51,889
	101,462	380,246
Less: current portion	**67,948**	328,387
	33,514	51,859

	2015 SR	2014 SR
Finance costs on capital leases recognized as an expense during the year	**48,278**	256,589

The Company has leased vehicles under capital lease contracts with a lease period of 4 years and at the end of which the title will be transferred to the Company. All lease contracts are based on fixed installments and secured by the lessor's charge over the leased vehicles.

11- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 SR	2014 SR
Accounts payable – trade	43,409,620	53,315,589
Advances from customers	11,483,552	36,826,942
Due to related parties	43,362,642	12,017,243
Accrued employees benefits	3,422,649	3,221,710
Provision for custom duty	1,356,033	1,336,333
Others	8,971,636	10,834,260
	112,006,132	117,552,077

12- END-OF-SERVICE INDEMNITIES

	2015 SR	2014 SR
April 1	9,312,403	7,378,661
Provision during the year	2,576,950	2,847,931
Paid during the year	(1,059,306)	(914,189)
March 31	10,830,047	9,312,403

13- STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

14- CONTRIBUTION FROM SHAREHOLDERS

Contribution from shareholders represents the net assets transferred to the Company upon inception and other cash advances provided by shareholders to support the Company's operations.

15- RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Pan Gulf Industrial Investment and its subsidiaries	Shareholder/affiliates
Pan Gulf Holding and its subsidiaries	Affiliates

The significant transactions and the related approximate amounts are as follows:

	2015 SR	2014 SR
Revenue	(9,900)	(5,973,440)
Purchases	57,346,277	30,338,673
Management fee	1,620,000	1,980,000
Property and equipment transferred to a related party	12,873	-

16- SELLING AND MARKETING EXPENSES

	2015 SR	2014 SR
Salaries and related costs	2,198,393	1,984,234
Business promotion related expenses	1,597,120	1,425,043
Others	-	65,220
	3,795,513	3,474,497

17- GENERAL AND ADMINISTRATIVE EXPENSES

	2015 SR	2014 SR
Salaries and related costs	11,297,918	8,363,603
Management fee (note 15)	1,620,000	1,980,000
Depreciation and amortization	2,886,350	2,651,673
Accommodation expenses	939,636	1,084,237
Recruitment expenses	2,451,779	3,194,858
Telephone, fax and courier charges	632,239	199,684
Training	2,258,170	1,462,310
Insurance	2,361,023	2,229,399
Others	5,550,716	7,722,934
	29,997,831	28,888,698

18- OPERATING LEASE ARRANGEMENTS

	2015 SR	2014 SR
Payments under operating leases recognized as an expense during the year	1,718,171	1,019,333

Operating lease payments represent rentals payable by the Company for land leased in Jubail and Yanbu. Leases are negotiated for an average term of one year and rentals are fixed for one year.

19- CONTINGENCIES AND COMMITMENTS

At March 31, the Company had the following contingencies and commitments:

	2015 SR	2014 SR
Letters of credit	145,830,960	48,831,797
Letters of guarantee	121,887,807	99,248,501

20- FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

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